



Annual Report 2018/19

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Our Vision

To be Asia's most customer-centric airline.



Our Mission

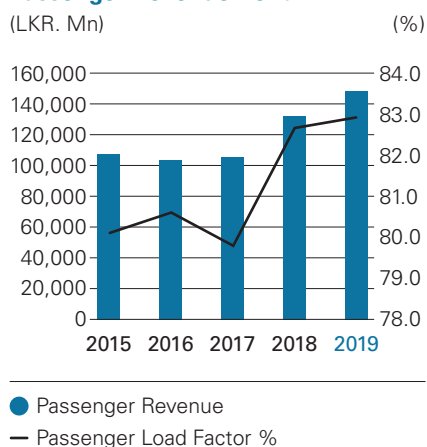
To delight our customers with a reliable and pleasant travel experience with warmth and hospitality, the Sri Lankan way.

We strive to meet our stakeholder expectations as a competent, proactive and diligent organisation which is financially viable.

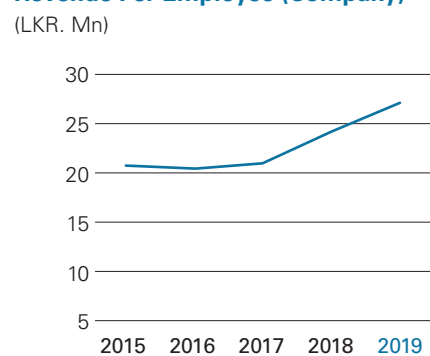
Financial Highlights 2018/19

		Group 2019	Group 2018	Company 2019	Company 2018
Financial					
Revenue	LKR. Mn	184,097.04	164,638.92	180,340.32	161,433.87
Operating Expenditure	LKR. Mn	(215,725.65)	(175,034.14)	(217,735.62)	(175,883.85)
Loss Before Tax	LKR. Mn	(41,626.91)	(18,579.23)	(44,022.67)	(17,213.57)
Net Loss for the Year	LKR. Mn	(41,700.33)	(18,585.15)	(44,022.67)	(17,213.57)
Total Assets	LKR. Mn	82,247.73	71,585.14	77,339.00	67,566.96
Shareholders' Funds	LKR. Mn	(168,111.70)	(125,582.89)	(177,556.23)	(132,196.34)
Traffic					
Passenger Capacity	ASK Mn			18,925.40	18,487.54
Overall Capacity	ATK Mn			2,577.53	2,549.88
Passengers carried	RPK Mn			15,689.19	15,280.78
Overall Load carried	RTK Mn			1,806.58	1,749.14
Passenger Load Factor	%			82.90	82.65
Overall Load Factor	%			70.09	68.60
Breakeven Load Factor	%			88.94	82.09
Staff Productivity					
Average strength	Nos.	7,844	8,080	6,794	7,019
Revenue per employee	LKR. Mn	23.47	20.38	26.54	23.00
Aircraft Fleet					
A320-200	Nos.			5	5
A321-200	Nos.			2	3
A320 NEO	Nos.			2	2
A321 NEO	Nos.			4	3
A330-200	Nos.			7	6
A330-300	Nos.			7	7
Aircraft in service at year end	Nos.			27	26

Passenger Revenue Trend



Revenue Per Employee (Company)



Chairman's Message

“The Airline continued to record its highest revenue in history for the third consecutive year with a total Group revenue of LKR. 184 Bn. However our operating cost continued to expand as well.”

“Development of a practical, progressive and futuristic business plan in-house was the first and the most critical step undertaken by the management team towards shaping the future of the business.”

Group Revenue

184 Bn

Revenue Growth

11.8%

My message for the Annual Report and Audited Accounts of SriLankan Airlines Limited for the financial year 2018/2019 comes to you against the backdrop of an extremely challenging and unprecedented environment, which not only tested the resilience of our Airline but the solidarity of the whole country. As an Airline, our struggles with capacity driven depletion of market yields, rising global fuel prices, currency depreciation and exposure to tax reforms, got intensified during the year under review, while the entire nation was devastated by the unfortunate Easter Sunday attacks that took place shortly after the conclusion of the financial year.

Economy

Global economic activities slowed down significantly in the second half of 2018 after recording a strong growth in 2017 and early 2018. Average global economic growth in 2018 slumped to 3.6% (initially projected to grow at 3.9%) after peaking at nearly 4% in 2017. Trade tensions among advanced economies, especially US and China impacted the business confidence across the globe and worsened the financial market sentiment. IMF forecasts the continuation of sluggish growth of world economy in 2019 at 3.2% as result of intensified US-China trade war on tariffs, Brexit related uncertainties and other geopolitical tensions.

In 2018, Sri Lankan economy grew at a modest 3.2% despite the low inflationary environment where core inflation remained at low single digit level throughout the year. The growth was largely supported by expansion in services sector by 4.7% and agriculture sector by 4.8%. As a result of contraction in the construction sector, the growth in Industry activities was marginal at 0.9%. Vulnerability of

Sri Lankan economy's external sector due to both global and domestic factors was quite evident in 2018. Globally, the tightened global financial conditions caused heavy capital outflows and intense pressure on exchange rate. This phenomenon coupled with Central Bank's market based exchange rate policy saw the Sri Lankan rupee depreciating sharply. In fact the rupee depreciated against the US dollar by 13%, one of the worst affected in the region. In the domestic front, the country's trade deficit surpassed USD 10 Bn for the first time in history due to high growth in imports in excess of export growth and caused a widening of the current account deficit up to 3.2% of GDP. The Central bank forecasts the economic growth of 2019 at 3%. The original growth rate of 4 % was revised after assessment of the impact of the Easter Sunday attacks.

Despite rather bleak projection on the immediate economic growth due to unprecedented events that the country experienced, we are hopeful that recovery would materialise gradually with strong macroeconomic fundamentals in place. Consistent growth of exports, moderate inflation, appreciation of the rupee and a strong reserve position, are encouraging signs of imminent recovery of the economy.

Performance of the Airline

The Airline continued to record its highest revenue in history for the third consecutive year with a total Group revenue of LKR. 184 Bn. However our operating costs continued to expand as well. As a result the SriLankan Group reported a loss of LKR. 41.7 Bn for the 2018/2019 financial year. This, on the face of it, is significantly adverse than the previous financial year. However this needs to be assessed in the context

of extreme challenges that the Airline had to endure during the past year. The exchange loss due to the sharp depreciation of the rupee was nearly LKR. 11 Bn and we had to spend an additional LKR. 10 Bn on the escalated global fuel prices. To make matters worse, the Airline had to bear a Withholding Tax liability of LKR. 7 Bn stemming from the foreign supplier payments which is not recoverable due to pre-established contractual obligations.

As of 31st March 2019, the balance sheet carried a negative equity of LKR. 168 Bn, with an outstanding debt amounting to USD 699.70 Mn.

As a major stakeholder of Sri Lanka's tourism industry, the post Easter attack impact on the Airline proved to be substantial with heavy cancellations of bookings soon after the incident and rather lackluster booking growth for future months. We had to undertake a series of flight cancellations throughout the summer schedule of 2019 in line with the projected drop in arrivals. The revenue impact to the Airline is estimated to exceed USD 100 Mn in 2019.

The Business Plan & Way Forward

Despite its undesirable financial position, the general sentiment of stakeholders is that the Airline can be turned around as a viable business entity in the future. Our contribution to the Sri Lankan economy through direct and indirect spheres should not be taken lightly. It is encouraging that the shareholder has reiterated their confidence and commitment to transform the Airline as a sustainable entity with no burden on state coffers.

The development of a practical, progressive and futuristic business plan in-house was the first and the most critical step undertaken by

Chairman's Message contd.

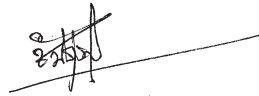
the management team towards shaping the future of the business. The senior management and their teams brainstormed rigorously to develop a comprehensive five year business plan entirely on their own, under the guidance of the Board. I am extremely pleased with this exercise which saw the development of a new Vision, Mission and Key Objectives for the Airline. A progressive network and fleet expansion plan set on a scientific growth path, is the core of the business plan, which forecasts the Airline reaching closer to breakeven by financial year 2023/2024. We have highlighted the support required from the Government of Sri Lanka to develop a conducive framework to implement some of the key strategies in the business plan in a timely manner. I must appreciate the efforts of the senior management team in developing the business plan and I am confident that the team takes the ownership in effecting the much-needed "change" in people, processes and policies to facilitate successful implementation of the plan.

We firmly believe that right leadership in core disciplines of management would create the solid foundation to turnaround the Airline. Accordingly, we strengthened our leadership team with the appointment of two professionals with proven track records to the positions of Chief Commercial Officer and Chief Financial Officer. Undoubtedly their expertise and leadership would help to drive the company towards the right direction.

In concluding

I would like to extend my gratitude to all staff of the SriLankan family for their commitment and uncompromised loyalty towards the Airline and hope that with your continuous efforts the organisation reaches new heights to become

Asia's most customer-centric Airline as envired. I sincerely appreciate my colleagues at the Board of Directors and the Senior Management team for their unconditional support and genuine contribution to lead the Airline with resilience amid numerous challenges and I thank the Government for their confidence in the Airline and assistance provided in a multitude of ways to sustain the business.



G. S. Withanage
Chairman

17th September 2019

Chief Executive Officer's Message

“If fuel cost and finance cost were excluded, the unit cost was in fact 2.9% lower than previous year reflecting the effectiveness of our cost reduction initiatives.”

Passengers Carried

5.66Mn

Passenger Load Factor

82.9%

Chief Executive Officer's Message contd.

Industry Outlook

The global aviation industry continued as a catalyst for world economic growth in 2018. Over 22,000 routes were operated across the world carrying 4.3 Bn passengers and transporting 64 Mn tonnes of cargo worth USD 6.7 Tn. The estimated global economic impact of the aviation industry was USD 2.7 Tn and generated over 65 Mn direct and indirect jobs. The real inflation adjusted cost of air transportation, which got halved in the past 20 years, declined further in 2018 and made air travel further accessible for potential customers, connecting families and businesses across the world. Global passenger load factor reached a record level of 81.9% in the past year as growth in demand for air transportation exceeded the growth in capacity. Growth in air freight was modest in 2018 due to the geo-political tensions in world trade. The Global airline industry's robust financial performance continued with a net post-tax profit of USD 30 Bn on an operating margin of 5.8%. However, both profitability and the operating margin dropped from the previous year due to intensified challenges in the operating environment.

IATA predicts 2019 as a year of low industry profitability largely due to volatility of fuel price, rising labour cost and taxation. Global Airline net profits are expected to decline to USD 28 Bn, the lowest after 2014. Global trade is marred by growing tension between US and China, which would have a significant negative impact on air traffic. US led trade sanctions on Iran directly impact the global oil supply and prices. World air traffic growth in 2019 is to be led by the emerging markets in Asia Pacific despite the margins coming under pressure due to excess capacity.

Airline Performance

The year under review was yet another challenging year for the Airline with an increasingly turbulent operating environment characterised by high cost of aviation fuel, unprecedented depreciation of key currencies, political instability, intense competition and excess capacity in key market segments that we operate to. Market yields continued to be under constant pressure due to inclement market forces, which further affected our ability to control market fares voluntarily.

Despite such challenges, effective management of aircraft deployment and allocation of flight frequencies on market dynamics allowed us to optimise revenues to achieve the annual targets and record a year on year growth in the core operating revenue. Fuel surcharges were introduced with tactical precision to curb the impact of rising fuel prices to a certain extent. Regardless of positive revenue performance, the adverse impact on passenger revenue resulting from the depreciation of key revenue generating currencies amounted to USD 22 Mn (LKR. 3.8 Bn) in the year under review.

The Airline's market capacity in the year 2018/19 grew over the previous year by 2.4% while overall passenger cabin factor exceeded marginally by 0.25%. At USC 5.55, the passenger yield / RPK fell short of expectations despite achieving a 2% growth over last year. The unit cost (CASK) increased by 2.7% over the previous year largely due to the increase in average fuel price which rose 19% above previous year. If fuel cost and finance cost were excluded, the unit cost was in fact 2.9% lower than the previous year reflecting the effectiveness of our cost reduction initiatives.

Airport and Ground handling, the most profitable strategic business unit of SriLankan Airlines, reported a net revenue of LKR. 9,577 Mn. (USD 56.7 Mn).

Our online direct sales channel www.srilankan.com achieved a significant milestone by recording an overall penetration of over 13.5% (12.3% previous year) of the total network passenger revenue. This reflected our consistent investment and commitment in optimising non-traditional direct sales channels to drive the revenue up at a lower incremental cost. We strive to double the online direct sales contribution in two years.

Total Group revenue for the year exceeded LKR. 184 Bn with a year on year growth of nearly 12%.

SriLankan's improvement in top-line performance was drastically overshadowed by the increase in operating costs in some key areas. The escalating global fuel prices drove the fuel cost up by an additional LKR. 9,794 Bn (USD 58.4 Mn) due to price variance over the previous financial year. The unprecedented exposure to currency depreciation in 2018 resulted in an exchange loss of LKR. 10.7 Bn for the year under review. The adversity of our operating environment was further aggravated by fleet related challenges such as the high maintenance cost due to mismatch in fleet and multiple engine types on narrow body aircraft. Heavy maintenance costs incurred on regular maintenance of aging A330-200 fleet increased the overall cost by LKR. 1,509 Mn (USD 9 Mn) against the previous year. Aircraft lease related expenses were USD 7.6 Mn higher against the previous year due to hiring of spare engines and the addition of A321neo to the fleet. Significant savings amounting to USD 26 Mn

were achieved in expenses relating to Commercial, Station and Traffic and Marketing as a result of the stringent cost control measures introduced during the year.

The total Group loss for the financial year 2018/19 was LKR. 41,700 Mn. Though this is a significant deterioration from the previous financial year, a close examination of the underlying reasons reveals the unprecedented impact of uncontrollable and non-operational external factors that exerted immense pressure on the bottom line. In fact as much as 66% of the Group loss of the year under review is comprised of the collective impact of exchange losses, year on year global fuel price increase and Withholding Tax liability. Further, some of the anomalies created in the past such as high lease rates for aircraft, continuing cost arising from the cancellation of A350 aircraft leases, high jet fuel price of CPC and high interest rates of state banks, included in the above account for 85% of the loss for the year. This clearly reflects the potential to turnaround the Airline based on a professionally formulated and executed business plan that has the support of all key stakeholders.

Restructuring of the Airline and turning it around to become a financially viable entity is the highest priority of the shareholder and the Management. The Management developed a restructuring plan internally, following a detailed analysis of the Company's status quo, environmental variables and shareholder objectives. This plan identified a number of critical initiatives related to revenue enhancement and cost reduction that are expected to make significant positive contribution to the bottom line progressively. The immediate, medium and long term support required by the Government

of Sri Lanka was highlighted as prerequisites for the successful implementation of core restructuring strategies. Our restructuring proposals were presented to the Committee appointed by His Excellency the President to make recommendations on restructuring of the Airline in January 2019.

By incorporating the key aspects of the restructuring plan, the Management team developed a comprehensive five year Business Plan that spells out the future strategic direction of the Airline. A new Vision, Mission, Values, Goals and core objectives for the Airline were also developed to steer the Airline towards the desired position. The Board of Directors endorsed the business plan and authorised the Management to go ahead with the implementation of the business plan.

The unfortunate attacks on Easter Sunday imposed a significant impact on our performance forecasts and challenged the execution of some of the short and medium term strategies of the business plan. We experienced a substantial reduction in passenger bookings and cancellations from some of the key markets such as China, UK, Japan, India and Australia immediately after the incident. A series of flight cancellations and aircraft downgrades were accommodated in the schedule for the four months following the attack due to the reduction in passenger demand. As a measure of recovery, we scheduled to deploy the excess capacity on prospective "6th Freedom" markets to stimulate transfer traffic via Colombo. Tourism industry had forecast a 30% reduction in tourist arrivals with a revenue loss of USD 1.5 Bn as a result of this incident and SriLankan which carries 30% of the inbound tourists would be affected directly. As per the 2019 financial statements, we have already seen

a 6% reduction in overall passenger revenue in the first quarter and also experienced reductions in cargo, ground handling and income from SriLankan Catering as a result of the Easter Sunday attacks.

My sincere gratitude goes to all our colleagues who worked tirelessly following the unfortunate incidents on Easter Sunday to handle the unprecedented passenger influx at the airport with utmost professionalism to ensure smooth operations with minimal disruptions.

Subsequent to the Easter Sunday incidents, the Management critically reviewed the strategic business plan and made certain realistic revisions in light of the prevailing and expected conditions. Timelines of re-introducing some of the European destinations and proposed new routes were deferred within the planning horizon to ensure the improvement of market stimulus and passenger confidence. The new destinations proposed under the business plan include Sydney, Saigon, Chengdu, Katmandu, Paris, Frankfurt, Nairobi, Calicut and Ahmedabad. These destinations were selected on their commercial merit after an in-depth analysis of long term market potential and value addition to our network. The revised business plan was presented to the shareholder for the policy direction and recommendations. Timely approval of the business plan and its core proposals by the Government is an absolutely critical prerequisite for its successful implementation.

Despite all trials and tribulations that we endured, the past year was never short of achievements.

Becoming the world's most punctual airline for the second time in less than twelve months is truly a remarkable

Chief Executive Officer's Message contd.

triumph of SriLankan Airlines. This speaks volumes for our unblemished record of safety and operational excellence stemming from effective people, processes and policies. I have no doubt that we will continue to excel as a punctual carrier and deliver greater customer satisfaction.

We were successful in our efforts in finding a solution for the incompatible aircraft in our fleet, A330-200 - MSN 1008. This aircraft, which we inherited as a part of the settlement for A350-900 lease termination, has a seat configuration that is highly undesirable for our product and business model. We negotiated with the lessor to finance USD 4.5 Mn against the costs of upgrading the cabin of the aircraft to bring it on par with the rest of the wide-body fleet. The lessor also agreed to contribute USD 1.2 Mn for the aircraft overhaul. In addition, the dispute with HiFly Aviation for the outstanding dues for the sub-lease of this aircraft amounting to USD 2.1 Mn was collected from the lessee after reaching an out of court settlement. The contribution and commitment of our Engineering and Legal teams in this process is highly commendable.

We proceeded with the short term wet lease of A330-300 4R-ALM aircraft to Oman Air to optimise our fleet utilisation after careful analysis of the financial and operational benefits to SriLankan Airlines.

The Engineering unit regained the European Aviation Safety Agency (EASA) Type 145 certification after successfully completing the standards of compliance. This will boost the third party base maintenance business and training capacity of SriLankan Engineering. SriLankan Engineering currently provides line maintenance services to over 15 customer airlines from Colombo BIA and has a customer

base of five at Male airport. New customers for line maintenance include Air China, Air India and Chongqing Airlines.

Negotiating above the market lease rentals relating to some of the A330-300 aircraft is a key to reduce the overall cost of the operations. Management has been continuously pursuing this option in the past and I am disappointed that we have not been getting any positive response from some of our key lease financiers. At the same time, some of the lease renewals have been effected at the market rates which would bring savings to our operating cost structure in the near future. We are also looking at the option of the early termination of some leases for A330-200 aircraft to bring the overall cost down and make the operations more efficient.

Revenue enhancement through effective capacity deployment, revenue management and expenditure reduction strategies will continue to be the focus of the Management to direct the Airline towards sustainable financial viability in accordance with the business plan. The Management is aggressively pursuing a company wide cost saving and an increase in ancillary revenue initiatives targeting USD 30 Mn in the next financial year to reduce losses. We urge the support and contribution of all employees to make this effort a success.

The Government of Sri Lanka continues to search for a suitable investor and a strategic business partner which would enable the Airline to reduce the finance cost significantly which amounted to USD 64 Mn during the last financial year and also to provide the right governance structure to enable the Airline to manage its affairs as any other commercial entity.

Timely implementation of certain policy changes included in the restructuring plan, such as changes to the Withholding Tax Legislation and adjustment of interest from the two state banks to be compatible with the market rates, are essential to reduce the losses of the Airline. I am pleased to mention that our request to reduce the margin charged by the Ceylon Petroleum Corporation, has been implemented effective April 2019.

SriLankan Airlines celebrates its 40th anniversary this year. This is indeed an important milestone in the history of aviation in Sri Lanka. From our humble beginning in 1979 with two aircraft as Air Lanka, we have come a long way to become an internationally reputed mid-sized network carrier with huge potential for growth. I'm sure the foresight, commitment and skills of our team would see the Airline becoming a greater and sustainable business entity in future.

I sincerely thank the Chairman, Board of Directors, Management team, employees, business partners and shareholders for their continued support and patronage and I'm confident that we will continue to be resilient and relentless in our efforts to reach the vision of becoming Asia's most customer-centric airline.



Vipula Gunatilleka
Chief Executive Officer

17th September 2019



Board of Directors

01

Mr. G. S. Withanage *Chairman*

Mr. G. S. Withanage was appointed to the Board of SriLankan Airlines Limited on 13th November 2018 and subsequently appointed to the Board of SriLankan Catering Limited. He also serves as the Chairman of Ceylon Petroleum Corporation.

He is an eminent officer of the Sri Lanka Administrative Service, who has obtained a B.Sc. Degree in Management from the University of Sri Jayawardenepura. He has obtained his Master of Business Administration Degree from the University of Colombo.

Joining the Sri Lanka Administrative Service in 1984, Mr. G.S. Withanage started his career as an Assistant Director in the Ministry of Public Administration. Later in 1990 he was appointed to the post of Deputy General Manager in the Sri Lanka Sugar Corporation and, subsequently took up the position of Assistant Secretary in the Ministry of Defence.

In 1995, Mr. Withanage was appointed as Assistant Secretary to the Ministry of Media, Tourism and Aviation and has been promoted to the position of Senior Assistant Secretary. In 2002 he has been appointed to hold the post of Additional Secretary in the Ministry of Transport, Highways and Civil Aviation and in 2004, he

was appointed as the Additional Secretary of the Ministry of Civil Aviation. Having served in the said position until 2012, Mr. G.S. Withanage was promoted to take up duty as the Secretary to the Ministry of Rehabilitation and Prison Reforms. Subsequently in 2015, he was appointed as the Secretary to the Ministry of Foreign Employment and carried out duties in the position till he assumed duties as the Secretary to the Ministry of Transport and Civil Aviation in 2017 until his retirement in 20th December 2018.

While holding the above positions, Mr. Withanage was appointed to lead several delegations of the Sri Lankan government to foreign countries. He has been appointed as the Chairman of the SAARC Regional Multimodal Transport Seminar conducted in Colombo in May 2006. In addition, he has organised the 5th Ministerial Consultation of Colombo process (Regional Consultative Process among labour sending countries) in the 2016 and have earned Sri Lanka the Chairmanship for the second time since 2003. Further, Mr. Withanage has been involved in organising the Fourth Ministerial Consultation of the Abu Dhabi Dialogue, convened in Colombo on 24th January 2017, and has secured the chairmanship for Sri Lanka.

02

Mr. Johann Wijesinghe

Mr. Johann Wijesinghe was appointed to the board of SriLankan Airlines Limited on 08th May 2018, and was subsequently appointed to the board of SriLankan Catering Limited.

Presently, Johann serves as the Chairman of Litro Gas Lanka Limited. He is a Director of 16 organisations belonging to the Hayleys Group and Vallibel One, including: Kingsbury PLC, Amaya Leisure PLC, Unisyst Engineering PLC and S&T Interiors (Pvt) Ltd.

Mr. Wijesinghe served as the Managing Director of Hayleys Aviation & Projects, as well as, Unisyst Engineering PLC and as an Executive Director of S&T Interiors (Pvt) Ltd, during a career spanning over 10 years with the Hayleys Group. He was also a member of the Hayleys Group Management Committee, holding responsibility for the aviation sector, hotel development, construction management, aluminium fabrication and interior fit out businesses of the group.

Prior to joining Hayleys, Johann held several senior positions at SriLankan Airlines, including management positions in the Far East, Europe,

Middle East and the Head Office in Colombo, and was also a member of the Group Senior Management Team of the Airline. Johann's affiliation with SriLankan Airlines dates back to June 1983, when he joined as a Trainee Marketing Executive of then AirLanka. Subsequently, his career with the airline progressed to senior positions during a period of 14 years. His second stint with SriLankan commenced in October 2003, and at the time of resigning five years later from SriLankan, he was the Head of Cargo.

Between his two stints at the Airline, Johann served as Director of Marketing and Sales at the Lanka Oberoi over a period of five years. Johann holds over 35 years experience in the Aviation and Hospitality industries.

He holds an MBA from the University of Leicester (United Kingdom) and is a member of the Chartered Institute of Marketing, having won multiple awards in Sri Lanka from the institute for his academic achievements.

Mr. Wijesinghe is also a former committee member of the PATA Education Council.

Board of Directors contd.

03

Senior Professor Vidya Jyothi Arjuna P. de Silva

Senior Professor Vidya Jyothi Arjuna P. de Silva MBBS, MD, MSc(Oxon), FRCP(Lond), FCCP, AGAF, FNASSL Consultant Physician was appointed to the Board of SriLankan Airlines Limited on 21st May 2018 and subsequently appointed to the Board of SriLankan Catering Limited.

Currently he is attached to the Faculty of Medicine, University of Kelaniya as a Senior Professor and is a Consultant Physician at Nawaloka Hospital (Pvt) Ltd. He also serves as Chairman of Sri Lanka Anti-Doping Agency (SLADA) and Chairman of South Asian Regional Anti-doping Agency (SARADO). He was instrumental in establishing SLADA and introducing new legislation to criminalise trafficking in banned substances. He is also Commission Member of the National Science and Technology Commission, Board Member of Post Graduate Institute of Medicine Colombo, Associate Editor World Journal of Gastroenterology and a reviewer for many international journals. Most recently H.E. the President Maithripala Sirisena conferred the Vidya Jyothi Honours on Professor Arjuna P. de Silva.

He has held the positions of Head of Department, Faculty of Medicine University of Kelaniya, Chairman of Board of Study in Gastroenterology, Secretary of the Gastroenterology

and Digestive Endoscopy Society of Sri Lanka, Director General of Sports Medicine, Chairman of George Steuart Finance Limited and Council Member of National Institute of Education, Team Physician for the London Olympics and was a member of the Medical panel for the National Cricket Team.

Educated at St Thomas College, Mount Lavinia he graduated with Bachelor of Medicine and Bachelor of Surgery degree from North Colombo Medical College and subsequently obtained a postgraduate Doctor of Medicine 1st in Order of Merit from the Postgraduate Institute of Medicine, University of Colombo. He has a MSc from University of Oxford and practiced as a Registrar in Gastroenterology and Research Fellow at Radcliffe Infirmary Oxford, UK. He was awarded MRCP from the Royal College of Physicians London. He is a Board Certified trainer in Gastroenterology and was awarded FCCP and became a Fellow of the Royal College of Physicians (FRCP, London). He is a fellow of the American Gastroenterological Association Fellow (AGAF) and fellow at the National Academy of Science in Sri Lanka (FNASSL). He has won many research awards including Presidential Research Awards 2001, 2006, 2008, 2010 2012 and 2013.

04

Mr. S. G. Senarathna

CPFA(UK), FCA, FCMA, FPFA, MAAT, B Com (Sp), HNDC, DPFM, PGD
Mr. S.G. Senarathna was appointed to the Board of SriLankan Airlines Limited on 21st May 2018 as the Treasury representative and subsequently appointed to the Board of SriLankan Catering Limited.

He is the former Director General of Department of State Accounts - General Treasury, and now he is serving to the same department in the capacity of a Consultant. He has devoted his full capacity to serve public sector for over 41 years with the extensive experience in accounting and reporting, financial management, project management and monitoring of public enterprises. He is a Chartered Public Finance Accountant, UK (CPFA). He is a fellow member of CA Sri Lanka (FCA), Institute of Certified Management Accountants of Sri Lanka (FCMA), Association of Public Finance Accountants of Sri Lanka (FPFA) and Association of Accounting Technicians of Sri Lanka (FMAAT).

He holds a B.com (Special) Degree from University of Sri Jayewardenepura, Higher National Diploma in Commerce from Poli Technical Institution, Diploma in Public Financial Management from Sri Lanka Institute of Development

05

Mr. A. M. P. M. B. Atapattu

Administration (SLIDA) and Post Graduate Diploma in Business & Financial Administration from CA Sri Lanka.

He started his career as a teacher in Department of Education. By completing 7 years in teaching service, he joined the Sri Lanka Accountant's Service and served for several departments, ministries, public enterprises and foreign funded projects in different capacities as an Accountant, Director, Chief Financial Officer (CFO), Director General and now serving as a Consultant. Not only that, during his career life, he serving as a visiting lecturer in several universities, SLIATE, banking institutions and public sector capacity building institutions.

He has extended his service by serving as a board member of the State Mortgage & Investment Bank, Puttalam Salt Ltd, Lanka Mineral Sands Ltd, Mantai Salt Ltd, Gal-o-ya Plantations Ltd, Agarapathana Plantations Ltd & Government Officers' Benefit Association, Association of Public Finance Accountants of Sri Lanka, Vehicular Emission Test Trust Fund, Judicial Infrastructure Maintenance Trust Fund and presently SriLankan Airlines Limited.

Mr. A. M. P. M. B. Atapattu is a Deputy Secretary to the Treasury and he has over 25 years of work experience in the General Treasury in various departments. He is now a Special Grade Officer of the Sri Lanka Planning Service (SLPS).

During this period, he worked in different areas such as International Finance, Financial Market, Primary Sector Development, Microfinance Sector Development, SME Sector Development & Strategic Planning in Development Finance and held various positions of the General Treasury in the capacity of Assistant Director, Deputy Director, Director and Additional Director General. Before he assumed the duties of his current position as Deputy Secretary to the Treasury, he worked as Director General of the Department of Development Finance. As Director General of the Department of Development Finance he has implemented Refinanced Loan Schemes called "Small and Medium Enterprise Regional Development Project" (SMERDP) funded by the Asian Development Bank, "Small and Medium Enterprise Development Facility Project" (SMEDeF) funded by the World Bank, "Small and Medium Enterprises Line of Credit (SMELoC) funded by the Asian

Development Bank. Further, he has executed the SME Development Programme funded by the German International Cooperation (GIZ) as well as the "Rooftop Solar Power Generation Line of Credit Project" (RSPGLOC) funded by the Asian Development Bank.

At present, Mr. Atapattu is in charge of the "Enterprise Sri Lanka Loan Scheme" of the Government and he is also serving as the Treasury Representative on the Board of Directors of the Peoples' Bank, the Sri Lanka Tea Board, the Sri Lanka Insurance Regulatory Commission and the National Lotteries Board.

Mr. Atapattu has a B.Sc. Management Degree in Public Administration from the University of Sri Jayewardenepura, Sri Lanka and he holds a Master's Degree in International Development from Flinders University, Australia and has completed two post graduate diplomas: Economic Development from University of Colombo and Development Economy from Institute of Development Economies, Japan.

Board of Directors contd.

06

Mr. Deshal De Mel

Mr. Deshal De Mel is an economist who works for the Ministry of Finance of Sri Lanka as Economic Advisor. He was previously attached to the Hayleys Group, where he served as Senior Economist and was subsequently involved in setting up Hayleys Global Beverages, the Group's tea extracts manufacturing company. Mr. De Mel previously worked for the Institute of Policy Studies of Sri Lanka and his research has been published in a number of books and journals.

Mr. De Mel has a degree in Philosophy, Political Science and Economics from the University of Oxford and completed his Masters in International Political Economy at the London School of Economics.

Mr. De Mel is a Commissioner of the Securities & Exchange Commission of Sri Lanka. He at present serves on the National Negotiation Team for Sri Lanka's ongoing trade negotiations. He previously served on the Board of Directors of Sampath Bank PLC as a Non-Executive Director for 5 years. He was also Chairman of SC Securities (Pvt) Ltd and served on the Board for 3 years. Mr. De Mel served a member of the Board of Directors of the Centre for Poverty Analysis (CEPA) for 4 years. He was

the LMD economic columnist during the period 2013-2016. Mr. De Mel was recognised as a Young Global Leader by the World Economic Forum in 2019.

07

Mr. A. K. D. D. Arandara

Mr. A K D D D Arandara was appointed to the Board of SriLankan Airlines Limited on 12th September 2019 and subsequently appointed to the Board of SriLankan Catering Limited.

Attorney-at-law by profession, Mr. Arandara currently serves as the Director, Department of Legal Affairs, Ministry of Finance. He has held several key positions in various state institutions such as but not limited to Consumer Affairs Authority and Ministry of Justice.

Mr. Arandara currently serves in the capacity of Board Director at Post Graduate Institute of Medicine, Independent Television Network, Ayurvedic Corporation and Sri Lanka Mineral Sands (Ltd). He has also been a member of Special Presidential Task Force on Recovery of State Assets, Tsunami Affected areas Rebuilding Project, Steering Committee to draft a New Bill of Rights to the Constitution and Steering Committee to discuss the strategies of conducting a National Audit on the Implementation of the Language Policy.

Mr. Arandara has represented Sri Lanka at various international symposiums such as the United Nations Conference on Anti-Corruption and Good Governance and Regional Environmental Law Seminar.

Senior Management Team

🕒 **Mr. Vipula Gunatilleka**

Chief Executive Officer

Mr. Vipula Gunatilleka serves as the Chief Executive Officer of SriLankan Airlines since August 2018, and is responsible for the overall management of the National Carrier of Sri Lanka.

Prior to joining SriLankan, Mr. Gunatilleka was a Board member and the CFO of TAAG Angola Airlines. He played a key role with a team of professional managers appointed by the Emirates Airline in restructuring the national carrier of Angola which resulted in the airline achieving break even status and a strong cash flow position in a short period of time.

Mr. Gunatilleka held the position of CFO at Sri Lankan Airlines when the Airline was managed by Emirates and played a pivotal role as the Acting CEO, during the management transition from Emirates Airline to the Government of Sri Lanka.

Mr. Gunatilleka has held senior leadership positions across companies in Sri Lanka, Singapore and Australia counting over twenty-five years of experience in Aviation, IT, Telecom, Banking and Service Sectors.

He is a member of the Tourism Advisory Board of Sri Lanka, Governing Board Member of "oneworld" alliance and advisory member of the Air Finance Journal.

He was the past Chairman of the CIMA Sri Lanka regional Board and was on the Board of Sri Lanka Auditing & Accounting Standards Monitoring Board.

Mr. Gunatilleka is a Chartered Management Accountant of UK, Chartered Accountant of Sri Lanka,

Certified Public Accountant of Australia and holds a MBA from the University of Colombo. He is also a GE trained Six Sigma.

🕒 **Mr. D. A. G. Jayasuriya**

Chief Technical Officer

Mr. D. A. G Jayasuriya Joined SriLankan Airlines and was appointed as the Chief Technical Officer on the 1st of September 2018.

He first Joined SriLankan Airlines then known as Airlanka in 1982 as a Senior Licensed Engineer and thereafter held various Managerial positions in the Company until 2009. Then he held the position of Senior Manager (Technical Contracts) in Oman Air. In 2016, he joined Civil Aviation Authority of SriLanka as the Director of Airworthiness.

Mr. Jayasuriya has an Aircraft Maintenance Engineers License from the Civil Aviation Authority in UK, and also hold CAA Pakistan Aircraft Maintenance Engineers License and CAA Sri Lanka Aircraft Maintenance License.

🕒 **Mr. Shaminda Samaraweera**

Chief Financial Officer

Mr. Shaminda Samaraweera holds more than 15 years of Senior level corporate experience in many industries including Telecommunication, Manufacturing, Tobacco, Navigation and Banking. He was extending his services to Etisalat Lanka (Pvt) Ltd. as the CFO before being welcomed into the SriLankan family in April 2019.

He has also held key positions in leading organizations including Ceylon Tobacco Company PLC, Dialog Axiata PLC and NAVTEQ North America, US. He specialises in Corporate Strategy

and Development and has won leadership awards during his tenure at previous employers.

He has a Bachelor's Degree in Electronics and Telecommunication Engineering from the University of Moratuwa and several Masters' from North Dakota State University. He is a Member of the Chartered Global Management Accountant (US) and Fellow Membership of Chartered Institute of Management Accountant (UK).

🕒 **Mr. Joshua Bustos**

Chief Commercial Officer

Mr. Bustos counts over 20 years in the aviation industry, delivering strategic commercial leadership for many airlines across the globe. Before being appointed as the Chief Commercial Officer of Sri Lankan Airlines in April, 2019, he has held several senior level positions in leading organizations including American Airlines, Spirit Airlines, South African Airways, Tiger Airways, Sabre Airline Solutions, KPMG and CEO of Safi Airways.

He played a principal role in restructuring South African Airways which went on to record an annual net profit. He was also a member of the Network Sounding Board and Revenue Management Advisory Board of Star Alliance during his tenure at South African Airways.

Mr. Bustos has served in the restructuring team at Tiger Airways which led the company to curtail its losses, resulting in a net profit.

As an aviation professional, his expertise ranges from, but not limited to, commercial strategy development, revenue optimisation, marketing innovation, network and fleet planning, sales and product development.

He has a Bachelor Degree in Mathematics and a Master's Degree in Accounting from the University of Miami. Mr. Bustos has also taught continuing education classes at Florida Atlantic University Miami, USA and Witwatersrand University in Johannesburg, South Africa.

🕒 **Capt. Rajind Ranatunga**
Acting Chief Officer Service Delivery

Captain Rajind Ranatunga, joined the Company as a Cadet Pilot in 1987. His progression in the Company was initially as a Second Officer and a First Officer on L1011, then as a First Officer on the Airbus A320 and A340 fleet, thereafter as a Captain on the A320, L1011, A330 and A340 Fleet.

Capt. Ranatunga has over thirty years of experience in serving the Airline and to share his vast knowledge and experience he was appointed as the Head of Flight Operations in 2015. Capt. Ranatunga currently holds the position of Actg. Chief Officer Service Delivery continuing to render his valuable services to the Airline. Supplementing his role in the higher management, he is also a Line/Simulator instructor and a CAASL appointed Designated Check Pilot on the A330/A320 fleet.

🕒 **Mrs. Dalrene Thirukumar**
Company Secretary/Head of Corporate Secretarial Services

Mrs. Dalrene Thirukumar joined the Company in 2013. She is the Company Secretary and the Head of Corporate Secretarial Services. The Division provides Corporate Secretarial Services to SriLankan Airlines Limited, SriLankan Catering Limited and in addition facilitates the Senior Management Payroll. She is a Trustee for the SriLankan Cares Trust.

She has over 20 years of post-qualifying experience. During her period she has held very senior and responsible positions in public quoted diversified conglomerates in Sri Lanka.

She is an Associate member of the Institute of Chartered Secretaries and Administrators in UK and holds a Master's in Business Administration (AUS). She is also a member of the Sri Lanka Institute of Directors.

🕒 **Mr. Yasantha Dissanayake**
Head of Financial Management

Mr. Yasantha Dissanayake joined the Company in 2004 and currently holds the position of Head of Financial Management. The Finance and Commercial Procurement functions of the Company report to him.

He has spearheaded many pioneering financing transactions for the Company, including the first International Bond issue and Islamic Financing which was recognised by two Asian Regional Awards.

He was also instrumental in formulating pre-delivery financing (PDP) for the new A330-300 fleet, a transaction which was recognised by the Air Finance journal as the 'PDP Financing Deal of the Year' in 2014. Prior to joining the Company, Mr. Dissanayake held senior positions in the investment banking and telecommunications industries. He is an Accountant by profession (Fellow Member of the Chartered Institute of Management Accountants, UK) and hold a Master's Degree in Business Administration from the University of Wales, Cardiff.

🕒 **Mr. Pradeepa Kekulawala**
Head of Properties & Logistics

Mr. Pradeepa Kekulawala is a senior human resource development professional in the corporate sector with over 2 decades of managerial experience behind him. He has been holding key management positions in the disciplines of project management, general management, marketing and business development before focusing his interest and taking up the art of human resource development over 20 years ago. Pradeepa has held the position of Head of Human Resources for many leading companies in the education, office automation, engineering and apparel sectors; before joining SriLankan Airlines as its Head of Human Resources Eight years back.

Mr. Kekulawala holds Post Graduate qualifications in Management, HR and IT including a MBA from the Commonwealth of Learning and a MSc. in Information Management specialising in Knowledge Management from the Sri Lanka Institute of Information Technology. He has had executive coaching in Human Resource Management from the National University of Singapore and the Post Graduate Institute of Management (PIM) in Sri Lanka. He is also a Professional member of Society for Human Resource Management USA, Professional member of Association of HR professional SL, Member of Association of Business Executives (U.K) and Certified National Trainer –Junior Chamber International.

🕒 **Mr. Srimanthaka Senanayake**
Head of Human Resources

A mature Legal Professional counting over two decades in Aviation, broadly experienced in International Relations and allied legal formalities.

Senior Management Team contd.

A specialist in several Legal, Bilateral and Multilateral disciplines including: Bilateral Aviation Treaty/ Commercial negotiations, negotiation of Bilateral Trade Agreements and the International Multilateral framework.

Currently the Head of Human Resources, he served as the Senior Manager International Relations, in which capacity he was responsible for commercial code shares with partner airlines and negotiating traffic rights on behalf of SriLankan together with State negotiating teams.

He also represents/has represented the Airline at the following fora: Member of the drafting Committee of the National Civil Aviation Policy of Sri Lanka (NCAP 2016).

Member of the oneworld Alliance Management Board (oMB) representing SriLankan Airlines.

Representative of SriLankan Airlines to IATA Passenger-Agency Conference (PACConf).

🕒 **Mr. Mayuka Ranasinghe** *Head of Group Legal Affairs*

Mr. Mayuka Ranasinghe holds the position of Head of Group Legal Affairs of the SriLankan Group. He commenced his career in litigation and subsequently engaged in the telecommunication sector prior to joining the Airline. He possesses a wealth of experience gained by handling complex, structural and cross border commercial contracts for the airline at various levels since joining the company in 2009. He also manages multijurisdictional litigation and dispute resolution, regulatory affairs, intellectual property and employment issues in various jurisdictions on behalf of the company.

An Attorney-at-Law by profession, he holds a Bachelors' in Law from the University of Colombo. He also holds a Masters-in-Law from the University of Colombo and a Master of Business Administration from the University of Wales.

🕒 **Mr. Chamara Perera** *Head of Information Technology*

Mr. Chamara Perera joined the Airline in 1999 and holds the position of Head of Information Technology since 2012.

He overlooks the Aviation ICT from ground operations to onboard connectivity covering airports, worldwide offices and strategic business units of the Airline and the group. Mr. Perera spearheaded the implementation of IATA Simplifying the Business (StB) program which includes fast travel innovative solutions in Air Transportation. He also steered the compliance of globally recognised IT standards ensuring a holistic Airline IT Governance platform. SriLankan IT has been certified for ISO/IEC 27001:2013 Information Security Management, ISO 9001:2008 Software Quality Management and ISO/IEC 20000:2011 IT Service Management. He leads the Digital Transformation of the Airline Business and Operations with an array of well-integrated Airline IT Ecosystems.

He is an Engineer by profession holding a Bachelor of Science Degree in Electronics & Telecommunication Engineering from the University of Moratuwa, Sri Lanka and a Master's in Business Administration specialising in IT Management from the University of Leicester, UK.

🕒 **Mr. Chamara Ranasinghe** *Head of Cargo*

Mr. Chamara Ranasinghe Joined the Company in 2013 as the Head of Cargo. Has over 18 years of experience in the airline cargo and aviation industry in the field of customer services, cargo reservations, cargo sales & marketing and airport cargo operations.

Prior to joining the Company, he held senior management positions in reputed international airlines operating to SriLanka.

🕒 **Mr. Sumudu Upatissa** *Head of Revenue Management, Planning and Commercial Support*

Mr. Sumudu Upatissa Joined the company in 2000 as a Trainee Executive and upon successful completion of the program, moved to the Commercial Division in 2001. He has 18 years of industry experience, with over 13 years managerial experience covering the areas of International Relations, Schedules Planning, Network & Revenue Planning, Revenue Management and was appointed as Head of Revenue Management, Planning and Commercial Support in 2017.

He is a graduate of the University of Sri Jayewardenepura, holding a Bachelor of Science Degree in Marketing Management, IATA Diploma in Airline Studies (Montreal) and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (UK), of which he is an Associate Member (ACIM).

🕒 **Mr. Dimuthu Tennakoon**

Head of Worldwide Sales & Distribution

Mr. Dimuthu Tennakoon spearheads the worldwide passenger sales, network-wide sales channel management and sales operations of the Airline. Appointed at the current role in April 2017, Mr Tennakoon possesses over 25 years of experience in Airline sales and marketing, revenue management and commercial planning.

Mr. Tennakoon has served in revenue planning, revenue management, route management and networkwide sales prior to his contribution as Country/Area Manager in Dubai, Canada and India; and as a Regional Manager for Far East and Asia Pacific based in China. He holds a vast spectrum of knowledge and experience in international airline business operations and marketing structures gained during his contribution as a Regional Manager overlooking Middle East and Indian Sub-Continent regions, while performing duties as General Manager- Commercial Operations. Mr. Tennakoon has also served as a Country Manager for North India based in Mumbai during his tenure at Oman Air.

In addition to sales operations Mr. Tennakoon heads the Ecommerce and Internet Booking Engine (IBE) services, global distribution channels, ancillary revenue services, SriLankan Holidays business arm and customer loyalty program- FlySmiles for the Airline.

A graduate of University of Colombo-Faculty of Law, Mr. Tennakoon also serves as the Chairman of Sri Lanka Board of Airline Representatives and as a Board Member of Sri Lanka Convention Bureau.

🕒 **Mrs. Buddhika Manage**

Head of Cabin Services

Mrs. Buddhika Manage joined the company in 2003 as a Management Trainee and started her career as an executive in Commercial Procurement Division in 2004. She has 15 years of experience in the Airline serving as Senior Inflight Service Executive (Admin and Crew Services) , Inflight service Manager (Admin and Crew scheduling) , Manager Human Resource Development and Business Partnering , Senior Manager Human Resource Development and Business Partnering and finally taking up the position as Head of Cabin Services in 2018. She holds a BSc (Hons) Special degree in Statistics from University of Colombo, MSc in Management from University of Moratuwa and has a Professional Qualification in Human Resource Management from IPM. She has obtained qualifications in Labour Law, Supply Chain Management and Information Technology.

🕒 **Capt. Pravin Wettimuny**

Head of Flight Operations

Capt. Wettimuny joined the SriLankan family in 2001 as a young cadet pilot. He has been actively engaged in the management for more than five years since his initial appointment as the Deputy Chief Pilot. In addition to his role in the Higher Management, Capt. Wettimuny is a current line pilot in A330/A320 fleet, cum a Type A Designated Check Pilot on the same.

He has a Bachelor's Degree in Business Economics with Honours from the University of Durham, UK.

🕒 **Lt Col Bandula Weragama**

General Manager, Airport and Ground Services

Lt Col Bandula Weragama joined the company in 2012 with an unblemished service of 23 years in the Sri Lanka Army. Besides extensive experience in command and training within a tri-services environment he has also served the United Nations Department of Peace Keeping Operations. Having worked with the HR, Inflight and Security Divisions he was appointed to lead the Division of Airport and Ground Services in February of 2016.

He holds a Masters in Defence Studies from the University of Kelaniya and a MSc from the University of Quetta, Pakistan.

🕒 **Mr. Primal De Silva**

General Manager, SriLankan Aviation College

Mr. Primal De Silva joined the company in 1988 as a cabin crew member and continued until 2006 as a Purser. Currently holds the position of General Manager, Sri Lankan Aviation College and the responsibilities of the Accountable Manager (Part 147), Aircraft Maintenance Training Organisation. Prior to this appointment his previous roles in the company include, Cabin Safety Manager and Manager Inflight operations and Training.

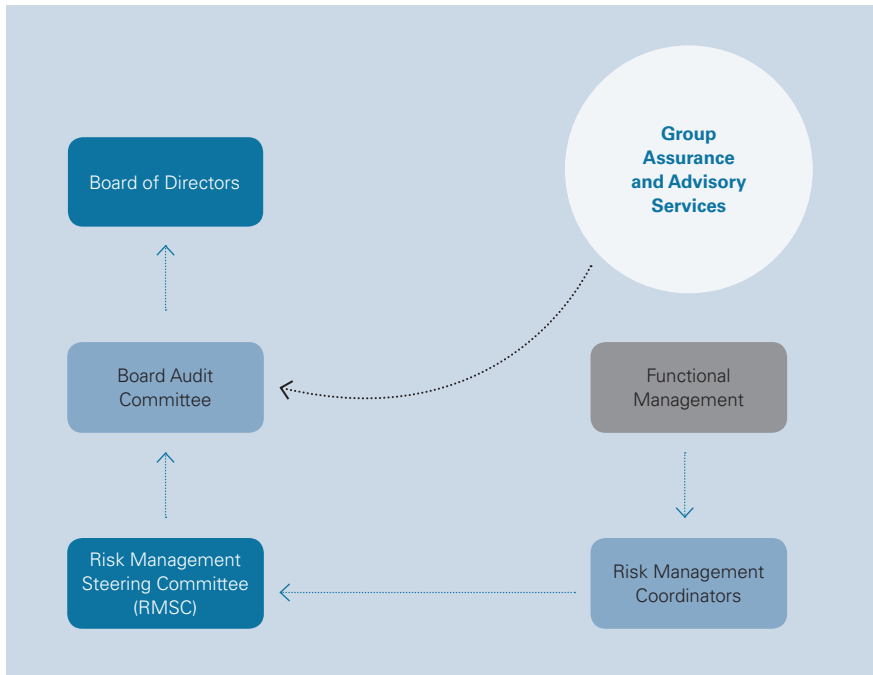
He holds an Executive Masters in Business Administration from the University of Sri Jayewardenepura and a National Diploma in Training and Development from the Sri Lanka Institute of Training and Development.

Enterprise Risk Management

Process Overview

The Enterprise Risk Management framework of SriLankan Airlines is approved by the Board of Directors and is centrally facilitated by the Group Assurance and Advisory Services Division. SriLankan Airlines ERM Framework is established to meet the requirements of industry regulations and best practices in identifying business risks and drawing up action plans in mitigating the impact of the risks to SriLankan Airlines. Risks are identified at strategic, process and project levels which includes financial, operational, information technology, safety & security, marketing, human resources, and macro environment risks. SriLankan Airlines is committed for effective risk management as a fundamental component of good governance and SriLankan Airlines risk culture encourages all employees to make appropriate risk-based decisions.

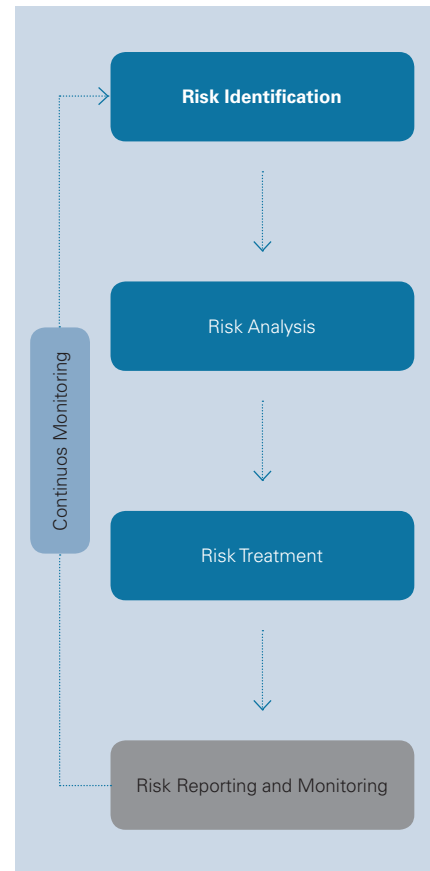
Risk Management Organisation Structure



The responsibility for implementing Enterprise Risk Management at SriLankan Airlines rests with the Risk Management Steering Committee (Senior Management Team), ERM Coordinators and the Functional Management (Risk Owners). The RMSC shall be responsible for directing each division's functions in line with the Company's Risk Management policy and build risk awareness culture. Functional Management is responsible in identifying and evaluating risks, devising suitable risk treatment plans and monitoring progress.

Risk Management Process

The SriLankan Airlines risk management process comprises four key elements namely, risk identification, risk analysis, risk treatment and risk reporting and monitoring.



Risk Identification

SriLankan Airlines identifies internal and external factors that may cause any hindrance in achieving the functional and the corporate objectives. Risks are identified by the risk owners by using Risk identification

tools and analysing major processes, projects and business goals. The functional management provides all required information to the Divisional/ Departmental ERM Co-ordinator to update the risk registers. The identified risks are reviewed by the Risk Management Steering Committee (Senior Management Team) and reported to the Board Audit Committee bi-annually.

Risk Analysis

The identified risks are analysed based on the likelihood and impact of the risk and rated as significant, high, medium or low based on the risk score. The risk score is computed by multiplying the likelihood rating with the impact rating.

Risk Treatment

Functional management is responsible in formulating action plans based on the risk ratings and the risk score. The risk responses of SriLankan Airlines identified for risk treatment include mitigate, transfer, avoid and accept. The significant risk treatment actions are reviewed by the CEO/respective Senior Management Team member. The high risk treatment actions are reviewed by the Senior Management Team. Medium risk treatment actions are reviewed by the Departmental Managers. Low risks are managed within current controls and are monitored closely for changes in the risk rating.

Risk Reporting and Monitoring

Risk Management registers are reviewed by Divisional/Departmental heads quarterly to monitor implementation of the action items in a timely manner. The Risk Management Steering Committee reviews the key risks and reports to the Board Audit Committee bi-annually. The Board Audit Committee reviews key corporate risks on a bi-annual basis and reports to the Board of Directors on a bi-annual basis, unless circumstances require immediate attention of the Board of Directors.

Management Discussion and Analysis

“The Airline continues its journey amidst the severe challenges posed by the operating environment.”

The ever increasing competition, overcapacity, fuel and currency volatility and trade wars have deteriorated the business environment for the Airline...



Operating Environment

Global Industry Performance

The International Air Transportation Association (IATA) reported that the airline industry recorded a net profit of USD 30 Bn (after tax) which was a 20% reduction over 2017. Four billion passengers travelled over a global network of some 22,000 routes in 2018.

Industry-wide Revenue Passenger Kilometres (RPK) grew by 6.5% in 2018, albeit a slower growth than the 8% recorded in 2017. Capacity grew at a slower pace than traffic in 2018, which resulted in the passenger load factor increasing a record high of 81.9% compared with 81.5% in 2017. The Global Airline industry also enabled the transportation of 64 Mn tonnes of cargo around the world.

The Asia Pacific region has become one of the largest air traffic markets in the world. Connectivity, frequencies, seat capacities, and number of destinations have increased significantly in Asia Pacific countries, while the industry growth has been above the global averages for the last three years.

The main factors which affected the airline industry include, deregulation of traffic rights, volatile fuel prices, unfavourable exchange rates, international trade conflicts, declining yields, change in consumer behavior in terms of the lookout for unbundled offers and growth of low cost carriers.

Local Industry Performance

The key markets operated by SriLankan Airlines (SLA) in 2018, included China, India, Indonesia, Thailand, Australia and Japan which were expected to grow significantly, evolving over time to become some of the top passenger markets in the

world. The growth of these markets has allowed the Airline to establish a stronger revenue composition, currently contributing 30% of revenue.

Sri Lanka recorded a GDP growth rate of 3.2% in year 2018. This growth was largely supported by services activities that expanded and the recovery in agriculture activities.

Tourist arrivals continued to grow in 2018. The total tourist arrivals reached 2.3 Mn which is a 10% growth over 2017. India continued to be the top market with 424, 887 tourist arrivals with a year on year growth rate of 10% followed by China with 265,965 (1% decrease), UK 254,176 and Germany 156,888 with a growth rate of 26% and 20% respectively. Australia also reported a significant growth of tourist arrivals which is 110,928 with a growth rate of 36%.

Competitor capacity into Sri Lanka has increased by 12% in the year 2018 which has a negative impact on yield.

The unfortunate incidents that occurred on 21 April 2019 had a significant short term impact on the air travel market. SLA has been the most impacted, experiencing a considerable loss of revenue. Measures to overcome same are discussed in the CEO's Review of this Annual Report.

Financial Review

The Airline continues its journey amidst the severe challenges posed by the operating environment. The ever increasing competition, overcapacity, fuel and currency volatility and trade wars have deteriorated the business environment for the Airline and partly offset the benefits derived from the global economic upturn.

Jet fuel prices driven by OPEC production cuts have continued to rise, seeing a sharp rise in the first half of the financial year 2018/19, and remaining volatile thereafter. In spite of the Airline's continuous efforts towards driving fuel efficiency through an optimised network and a disciplined capacity management together with the inclusion of the fuel efficient Airbus A320neo family aircraft fleet, the increased fuel prices have resulted in a significant fuel cost affecting the bottom line. Nonetheless, stiff competition has restrained demand, thereby restricting the opportunity to absorb increased fuel costs.

Furthermore, given the Airline's high exposure to currency volatility; a strong appreciation of the US Dollar vis a vis the Sri Lanka Rupee combined with the weakening of other international currencies, has been felt more widely during the financial year. Significant US Dollar denominated costs together with the increased cost of borrowing have had significant adverse impact on the bottom line.

With external factors impeding performance, the Group recorded a net loss of LKR. 41,700.33 Mn for the financial year ended 31 March 2019. The increase in exchange loss and finance cost of LKR. 10,732.40 Mn (LKR. 1,815.64 Mn in 2017/18) and LKR.11,079.10 Mn (LKR. 8,954.77 Mn in 2017/18) respectively, together with the withholding tax expense of LKR. 6,972.27 Mn have contributed to the aforementioned loss, which is 124.4% higher compared to the previous financial year.

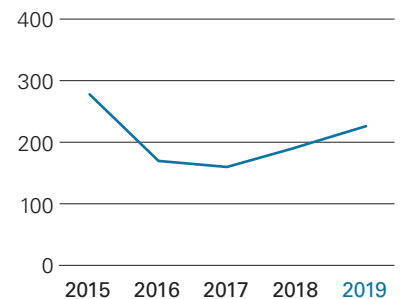
However, having identified sustainability as a critical component for the future success of the business, the Group has taken measures to restructure with the introduction of

stringent cost curtailment initiatives and effective revenue optimization strategies. The challenge is to achieve rapid progress on all fronts, whilst maintaining a competitive advantage vis a competition.

Impact of the external environment

Jet Fuel Price

(USC/USG)

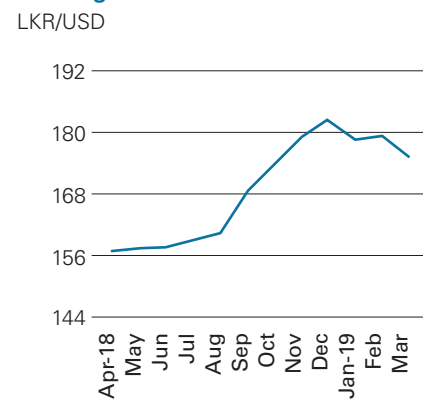


Movement: Jet fuel prices continued to see an upward trend in line with the global Brent crude oil prices that fluctuated between USD 57 to USD 81 per barrel during the year and the average price stood at USD 70 per barrel, 22% above the previous financial year (Source: US Energy Information Administration).

Impact: Although the best practices and initiatives aimed at achieving fuel efficiency have contributed to increasing fuel productivity of the Group by 3.3% over the preceding year, the escalating fuel prices and depreciating Sri Lanka Rupee have resulted in a 29% increase in the overall fuel cost, which is the largest element of the operating costs constituting 28.1% compared to 26.9% during the previous financial year.

Management Discussion and Analysis contd.

Exchange Rate



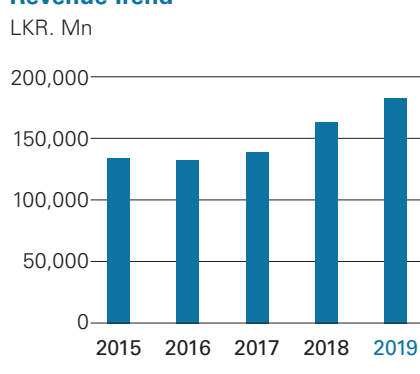
Movement: The Sri Lanka Rupee depreciated sharply against the US Dollar during the financial year 2018/19 driven by domestic as well as international factors. The rising fuel import bill and large scale US Dollar denominated government borrowings have resulted in a 13.1% depreciation of the Sri Lankan Rupee in comparison to a 2.5% depreciation during the previous year.

Impact: Consequently, the exchange loss for the financial year under review primarily attributable to the revaluation of foreign currency dominated assets and liabilities, constitutes 5.0% of the operating cost, resulting in a substantial increase to LKR. 10,732.40 Mn, compared with the exchange loss of LKR. 1,815.64 Mn of the previous year.

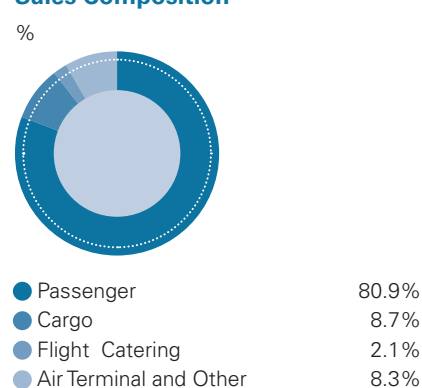
Group Earnings

In spite of the numerous challenges faced by the Airline due to the adverse operating landscape, 2018/19 saw the highest ever revenue on record generated by the Airline. The Group revenue increased by 11.8% to LKR. 184,097.04 Mn, largely attributable to the significant 12.4% growth in passenger revenue, which constitutes 80.9% of the total revenue. The increase in Group revenue was driven by the year-on-year improvement in passenger yield combined with a high cabin factor.

Revenue Trend



Sales Composition



Furthermore, all other revenue generating streams have shown growth to contribute to enhancing Group revenue.

Revenue in LKR. Mn	2019	2018	% Change
Passenger	149,022	132,540	12.4
Cargo	15,955	14,807	7.8
Duty Free	882	774	14.0
Flight Catering	3,918	3,332	17.6
Air Terminal and Other Services	14,320	13,186	8.6
Total	184,097	164,639	11.8

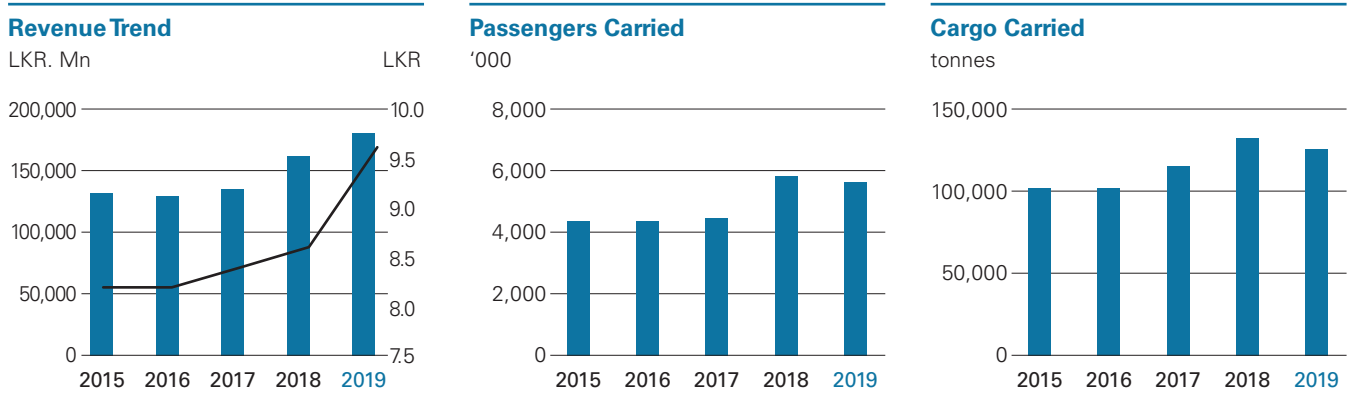
The year under review saw a significant revenue growth in most regions, owing to strengthening of the Group's position by aligning network capacity with demand and capitalising on growth opportunities.

Geographical Revenue in LKR. Mn

Year	Sri Lanka	Asia (excluding Sri Lanka)	Europe and Africa	Middle East	North and South America	South West Pacific	Total
2019	48,412	67,267	21,112	32,909	4,642	9,755	184,097
2018	42,587	64,048	17,791	30,782	4,948	4,483	164,639
% Change	13.7	5.0	18.7	6.9	(6.2)	117.6	11.8

Company Earnings

Similarly, Company revenue increased by 11.7% to a record high of LKR. 180,340.32 Mn during the financial year 2018/19, boosted by higher yield coupled with capacity growth, albeit with a decline in carriage of passenger and cargo. Revenue per RPK showed a significant improvement of 9.6%.



The increase in passenger revenue excluding excess baggage and non-scheduled services of LKR. 16,405 Mn is attributable to:

	LKR. Mn
9.55% increase in passenger yield in LKR	12,891
2.37% increase in seat capacity	3,114
0.25% points increase in passenger load factor	400
	16,405

The yield measured in USD saw an improvement whilst the increase in LKR terms was higher due to the depreciation of the Sri Lanka Rupee against the main revenue generating currencies.

	2019	2018	Change %
Passenger yield in LKR	9.43	8.61	9.6
Passenger yield in USC	5.55	5.44	2.1

The sensitivity of passenger revenue to a 1% point change in passenger load factor, 1% change in seat capacity and a 1% change in passenger yield is as follows:

	LKR. Mn
1% point change in passenger load factor, if yield and seat capacity remain constant	1,784
1% change in seat capacity, if yield and load factor remain constant	1,479
1% change in passenger yield, if passenger traffic remains constant	1,479

Management Discussion and Analysis contd.

Expenditure

In 2019, the Group's operating expenses amounted to LKR. 215,725.65 Mn, an increase of 23.2% over the Group's operating expenses of LKR. 175,034.14 Mn for the year 2018. The composition of the Group's expenses is given below:

Expenditure in LKR. Mn	2019		2018		Variance	
	Value	% of Total Operating Expenses	Value	% of Total Operating Expenses	Value	%
Aircraft Fuel Cost	60,673	28.1	47,038	26.9	13,635	29.0
Employee Cost	21,928	10.2	20,869	11.9	1,059	5.1
Airport Enroute and Passenger Expenses	25,813	12.0	25,240	14.4	573	2.3
Rentals on Leased Aircraft	29,099	13.5	25,726	14.7	3,373	13.1
Aircraft Maintenance and Overhaul Costs	26,953	12.5	22,829	13.0	4,124	18.1
Depreciation/Amortisation	1,862	0.9	1,976	1.1	(114)	(5.8)
Selling Marketing and Advertising Expenses	15,786	7.3	15,634	8.9	152	1.0
Crew Expenses	6,582	3.1	6,036	3.4	546	9.0
Exchange Loss	10,732	5.0	1,816	1.0	8,916	491.0
Other Expenses (excluding WHT Expense)	9,326	4.3	7,871	4.5	1,455	18.5
WHT Expense	6,972	3.2	NIL	0	6,972	100.0
Total Operating Expenses	215,726	100.0	175,034	100.0	40,691	23.2

One of the key contributors to the increase in loss for the year under review was the exchange loss, which recorded an adverse variance of 491% increase compared to the previous year. This was followed by withholding tax expense, aircraft fuel cost and the finance charges, which recorded an increase of 100.0%, 29.0% and 23.7% respectively compared to the previous year.

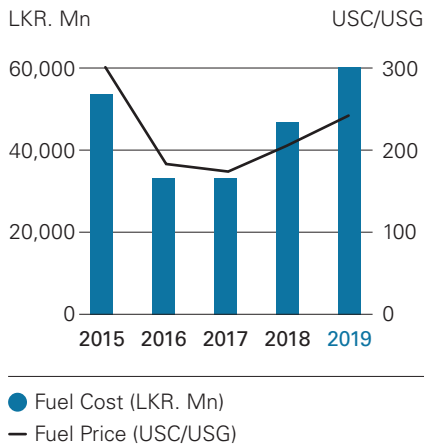
The significant exchange loss resulted from the rapid depreciation of the Sri Lanka Rupee affecting the revaluation of assets and liabilities denominated in foreign currencies. The devaluation of the Sri Lanka Rupee

against US Dollar was by LKR. 20.43 which was a devaluation of 13.1%.

The increase in other expenses is directly related to the withholding tax (WHT) expense payable on aircraft lease contracts and on other services obtained from foreign suppliers (mainly relating to IT services), which came into effect with the introduction of the Inland Revenue Act No. 24 of 2017. Out of the total withholding tax expense of LKR. 6,972.27 Mn, withholding tax on aircraft leases amounts to LKR. 5,869.26 Mn. SLA, has requested an exemption on WHT on aircraft leases which is currently being evaluated by the Ministry of Finance.

Aircraft fuel cost increased by 29.0% compared to last year, due to the increase in fuel prices and the depreciation of the Sri Lanka Rupee against US Dollar. The average fuel price increased to USC 227 in 2019 compared to USC 191 in 2018 which resulted in an increased cost of LKR. 9,793.71 Mn. The adverse impact of foreign exchange caused by the weakening of the Sri Lanka Rupee against the US Dollar resulted in an increase in fuel cost by LKR. 4,157.43 Mn.

Fuel Price Vs Cost



Fuel productivity as measured by the Revenue Tonne-Km per US Gallon (RTK/USG) increased by 0.36 RTK/USG over the previous year to 11.29 RTK/USG.

A fuel price change of one US Cent per US Gallon (USG) impacts the Group's annual cost by approximately LKR. 267.19 Mn, if the US Dollar exchange rate and fuel consumption remain constant.

Rentals on leased aircraft increased to LKR. 29,099.13 Mn in 2019 compared to LKR. 25,726.29 Mn in 2018, a 13.1% increase year on year. Aircraft maintenance and overhaul costs increased to LKR. 26,953.28 Mn in 2019 compared to LKR. 22,829.07 Mn in 2018. This was mainly due to the full year's cost impact of the new A321neo aircraft, which was inducted to the fleet on a staggered basis in the previous year.

The Company was successful in maintaining the selling, marketing and advertising expenses and airport enroute and passenger expenses with only a marginal increase, as there

were no major changes to the route network compared to the previous financial year.

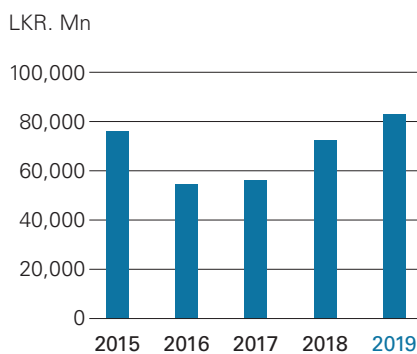
Employee cost has increased by 5.1% due to pay revisions based on collective bargaining agreements and the crew expenses by 9.0%, mainly owing to the adverse exchange rate impact.

The Group continues to be funded by debt in the absence of equity funding. Finance charges recorded LKR. 11,079.10 Mn which was 23.7% higher than the year 2018.

Financial Position

The Group's total assets increased by 14.9% during the year under review and stood at LKR. 82,247.73 Mn as at 31 March 2019.

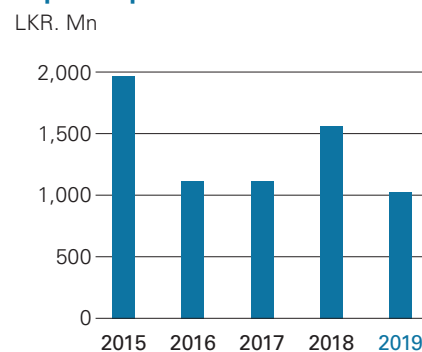
Total Assets



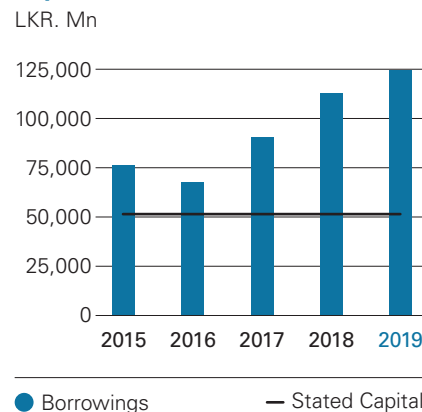
As a result of the Group's stringent cost curtailment measures, the Group's capital expenditure was restricted to the critical operational requirements, thus resulting in a decrease of 33.6% to LKR. 1,040.34 Mn compared to the previous financial year.

With the stated capital remaining constant without any capital infusion over the last five years, the Group was compelled to continue to fund the operating losses through increased borrowings and supplier credits.

Capital Expenditure



Capital Structure



Management Discussion and Analysis contd.

Operational Review

Commercial Operations

Route network and fleet

The current SLA network serves 37 online destinations in 20 countries with a strong presence in the Indian sub-continent. In collaboration with the codeshare partners, the Airline offers a wider coverage to its passengers across 109 destinations in 48 countries covering North America, Europe, Central Asia, Africa, Canada and Australia.

During the year under review, SLA expanded its cooperation with the existing codeshare partner Air India adding several new destinations in the Indian sub-continent thereby offering greater travel flexibility to the passengers.

As at 31st March 2019, SLA operated over 320 scheduled flights each week across 36 routes in the network, out of which 16 routes were allocated to serve regional destinations, whilst 10 on Middle Eastern routes, 9 on South East Asian routes, and one to Europe. The Company continued to take steps towards striking a balance in its key revenue generating markets. Accordingly, the Airline maintains strong connectivity to India from Middle East and Far East with a view of achieving future sustainability by developing Colombo as a preferred hub in the region.

The Airline's fleet offered greater flexibility with another A321neo joining the fleet in July 2018 which enabled the Airline to pursue its intended strategy of deploying more capacity to Middle East and Far Eastern destinations in the network. At the end of the financial year, 2018/19, SLA operated a fleet of 27 aircraft.

Network optimisation and Revenue

The Airline faced numerous challenges during the financial year imposing significant pressure on its revenue generation. The political tension in the region led to temporary suspension of commercial air services to Karachi and Lahore hindering revenue opportunities for the Airline. Despite the above deterrent factors, effective deployment of commercial capacity and optimising its utilisation through stringent revenue management practices enabled the Airline to reach the expected revenue adjusted in relation to the capacity deployed.

The momentum of earning continuous revenue growth was sustained this financial year by surpassing the previous year's passenger revenue by 5% in USD terms. During the year in review, the Airline reported a total passenger revenue of USD 871.63 Mn (LKR. 147.90 Bn) and cargo revenue of USD 95.36 Mn (LKR. 15.83 Bn) whilst, the total air transport revenue stood at USD 992.95 million (LKR. 164.93 Bn) with a growth of 4% in USD terms over the previous year.

Worldwide Sales and Distribution

Despite the challenging business landscape, the Airline maintained an overall cabin factor of 82.9% by carrying a total of 5.66 Mn passengers during the year under review. The strong sales emphasis on the business class sales led to an average of 59.3% business class cabin factor year-around. The Far Eastern business region with 25% contribution to the total Point-of-Sale revenue followed by Middle Eastern region with 22%. Further, India continued to be a key source market driving 15% of the network wide revenue.

The Hong Kong and Visakhapatnam routes were discontinued during the last year due to its commercial unviability. On the contrary, Melbourne which was added to the route network late 2017 paved the way to expand our global presence by connecting passengers from Europe, the Gulf and South Asia to Australia giving access to new market segments, which in turn, significantly contributed to our revenue.

However, during the year, depreciation of currencies in key revenue generating markets against the US Dollar resulted in a revenue loss of USD 21.8 Mn in Point-of-Sale passenger sales revenue compared to the exchange rates that prevailed during the last year. Passenger ticket fares in Sri Lanka are now priced in USD with effect from 15 July 2019 which helps to partially overcome the impact of the currency depreciation in future. Melbourne route maintained an average of 80% cabin factor year-round with daily flight operations.

In line with the sales strategy, a notable change was made by revamping of the worldwide sales overriding commission structure for General Sales Agents (GSA) network. SLA is looking at a performance led incentive scheme customised based on each GSAs performance to encourage high performers. Meanwhile Sri Lanka remains as a zero percent commission market for IATA agents. Additionally, direct channel optimizations and revamped ancillary offerings have continued to grow and improve the overall passenger experience.

Ecommerce

In the quest of bringing its official online platform on par with the industry's leading airlines, SLA continued to enhance Srilankan.com with improved features, new payment options and innovative solutions to cater to all travel needs.

In making advancements to its 'Pay later' payment option which enables passengers to secure tickets online and make payments at their local financial institutions, Srilankan.com has now made this facility available at several leading banks and supermarkets island wide in Sri Lanka while in UAE, this facility is available via the Al Ansari Exchange.

Enhancing the convenience of booking online even further, Srilankan.com has also partnered up several leading banks in Sri Lanka to provide its customers with the ease of paying for air tickets in instalments in a range of attractive payment plans.

During the past year, the passenger reach in the online sphere has increased to a 13.5% from the previous year's 12.3% of the Airline's total passenger revenue. The number of repeat passengers to the website has increased to 54% from last year's 42% denoting improved loyalty and an ever-growing customer base to the Airline's online sales channel. With further enhancements such as the performance marketing feature which will allow passengers the convenience of obtaining dynamic air ticket pricing at a glance, SLA aims to strengthen the customer experience of its online channel by bringing the world one step closer to their fingertips.

In addition to this, with the introduction of a number of payment options such as Alipay, WeChat, PayPal, Paytm, Apple Pay and PoLi, Srilankan.com seeks to increase its contribution to revenue by providing elevated value additions, making Srilankan.com more attractive and increasingly inventive thereby, making the customer journey all the more efficient.

Ancillary Services

Ancillary Services revenue has seen a continuous growth in the year under review with a year on year growth of 45% in comparison to the previous year. This comfortably exceeded the annual capacity growth, highlighting the success in customer acceptance of such value-added services.

In the global airline industry most airlines have identified ancillary revenue as a key component of its revenue generation and during the year under review it has surpassed 10% from its overall passenger revenue. The driving principle of the Airline during this period has been to continuously identify the customer needs and provide such ancillary services as a value addition.

In addition to the existing ancillary products of seat upgrade, prepaid baggage, extra legroom seats, advance seat reservation, order of special meals and car rental services, the Airline intends to offer services of live bidding facility for business class seats, travel insurance and neighbour free seating for economy class passengers during the ensuing financial year.

Taking into account the growing importance of ancillary revenue for the industry, SLA has taken steps to promote ancillary services throughout the network. Further plans include the expansion of on board experience through exciting and innovative ancillary products and creating brand awareness.

FlySmiLes Frequent Flyer Customer Loyalty

Building customer loyalty for over a decade, the frequent flyer program - FlySmiLes constantly strives to make every travel experience more delightful and rewarding by providing loyal customers access to a world of exclusive benefits and privileges. FlySmiLes offers accrual and redemption opportunities through its oneworld alliance partners along with superior, seamless travel experience, with preferential rewards.

FlySmiLes has always been a vital element of strengthening the bond between the Airline and its treasured passengers. FlySmiLes membership showed a steady growth of 9% during the year under review, reaching close to 575,000 members, as a result of the several marketing and promotional initiatives launched for members to indulge and engage with the program in the form of reduced rewards, bonus miles and cash plus miles promotions. FlySmiLes members redeemed miles on a range of options from redemption tickets to redemptions on lifestyle. Furthermore, five new Non-airline partners were integrated to the portfolio and FlySmiLes experienced a 9.8% growth in Non-airline partner revenue in comparison to the last financial year.

Management Discussion and Analysis contd.

During the year, FlySmiLes successfully implemented new initiatives such as introduction of birthday bonus and opportunity of extending expired miles which enhanced the value of membership. Future plans include expanding the current members' earning and redemption opportunities by adding more partners to suit the lifestyle and preferences of our member base. In addition, we are working on several dynamic initiatives to provide more flexibility in how members engage with the program.

Global Contact Center (GCC)

The Global Contact Center (GCC) provides round the clock assistance to our global customer base with multiple language support in English, Sinhalese, Tamil and Mandarin. Through the Contact Centre, worldwide customers and FlySmiLes members have a one stop touch point for numerous services including reservations, ticketing, date changes, travel related inquiries, ancillary and other services and have the payments options extended to Amex, Visa, Master cards and local bank deposits. The overseas customers also have the facility of reaching the Contact Centre through their local numbers from 12 countries with plans to expand to other online destinations as well.

To be in line with the digital initiatives undertaken by the Airline, Contact Center is now equipped to handle the Airline's social media such as Facebook, Twitter and LiveChat support as well. A dedicated team is being deployed to manage and respond to the social media inquiries, complaints, and feedback round the clock.

The GCC generates a revenue of around LKR. 60 Mn monthly and seeks

additional revenue opportunities by promoting business class travel. GCC will act as a central information hub to provide our customers a seamless experience and ensure satisfaction with further plans to expand the services for other internet based channels in the future.

SriLankan Holidays

Showcasing the best of the holiday packages for travellers around the world, SriLankan Holidays took a significant decision during the year to operate as a Destination Management Company, with a view to expand the inbound traffic into Sri Lanka.

In the year under review SriLankan Holidays network expanded by adding many international hotel chains and luxury transportation partners to its product portfolio, which helped to contribute a higher percentage of revenue to the overall SriLankan Holidays income. In addition, with the rapidly growing technology, SriLankan Holidays manual booklet voucher was replaced with the e-vouchers, that helped to streamline its operations. SLA is looking forward to upgrade the SriLankan Holidays website accommodating additional features to the current system in order to make it more user-friendly. The new system will also facilitate customers to choose a destination, accommodation, tour activity of their choice, enabling the creation of dynamic tour packages as per passenger requirements.

'One Island Unlimited Experience' was another significant campaign that drove passengers into Sri Lanka from India, Far East and Middle East. Furthermore, SriLankan MICE successfully brought international icons and foreign investors to Sri Lanka by being the main sponsor for many events.

Marketing

SLA launched a range of successful campaigns and activations during the year under review to establish its brand presence across its worldwide network and the home base, Sri Lanka.

The Airline's efforts on consistent and strategic brand building were recognised at global platforms and all collaborative endeavours were well received by the valued customers and the general public.

The National Carrier's campaign for the destination launch, Melbourne titled "Two Cities, One Spirit" was awarded 'Asia's Leading Marketing Campaign' at the World Travel Awards Asia and Australasia Ceremony 2018. Through the use of location pin concept, it emphasizes on the seamless daily connectivity between the two cities Melbourne and Colombo and easy onward connectivity to the Airline's rest of the network.

SLA was also awarded 'Asia's Leading Airline to the Indian Ocean' and 'World's Leading Airline to the Indian Ocean' at the World Travel Awards, Asia and Australasia and World ceremonies respectively.

The Airline concluded the year with three coveted awards—two First Stars and a Third Star— at the Golden City Gate Awards, ITB Berlin 2019, beating over 145 entries submitted by 32 countries. This is the second consecutive time that the Airline managed to bag three titles at the Golden City Gate Awards.

With the aim of establishing its presence in Australia, SLA was the title sponsor of the Half Marathon event at the historic Medibank Melbourne Marathon Festival 2018 for

the second year running. Whilst the event managed to attract the highest number of participants in its four-decade history, SLA's event recorded a sell-out.

Moreover, the Airline's collaborative initiatives such as but not limited to IRONMAN 70.3, managed to garner an overwhelming response from the participants and a considerable amount of brand visibility and attention among most of the dominant brands such as Sri Lanka Tourism.

SriLankan Cargo

The global air cargo market saw a growth in the demand indicative of 3.5% year on year increase in Freight Ton Kilometers (FTKs), which was however significantly lower than the 9.7% growth experienced in 2017, largely due to a surge in the inventory restocking cycle. The key positive for the period was the growth in the e-commerce sector, however the year under review ended with a further tapering off of the demand momentum due to weakening global trade, a decline in consumer confidence and geopolitical headwinds as indicated by IATA. While the available cargo capacity grew by 5.4% during the period pressurizing the load factors in the market, the yields proved resilient globally, benefiting the air cargo carriers.

SriLankan Cargo achieved a revenue of USD 95.4 Mn for the financial year, a 1% decline from the previous financial year, an exceptional performance taking to consideration the 13% reduction in the overall available cargo capacity compared to the previous year and the cancellation of the third-party freighter operations to the Indian Sub-Continent in December 2017. While the decline in capacity largely accounted for the 5% decline in year on year carriage amounting to a total

uplift of 125.8 Mn Kgs, the revenue generated was largely supported by yield driven strategies in Europe and the Far East, with Point-of-Sale yields improving by 8% over the previous year. The overall cargo load factors increased by 5 points to 69% during the period. SriLankan Cargo sales accounted for 10% of the SLA's total air traffic revenue for the year 2018/19.

Special Prorated Agreements (SPAs) with partner carriers and Trucking Agreements enhanced the connectivity options for SriLankan Cargo customers, successfully connecting movements from 130 origins to 335 destinations within the financial year. The SPAs further enhanced the revenue potential and utilisation on the directional cargo routes such as out of Male and the Middle East, through connecting China and USA traffic to destinations in the SLA network. The e-commerce segment was a strong area of focus for SriLankan Cargo in 2018/19 with station allocations of capacity for the movement on key e-commerce demand routes.

Cargo Ground Handling Operations achieved the highest Tonnes handled to date of 277,000 Metric tonnes, maintaining a 99.95% handling reliability throughout the financial year. In keeping in line with the need for digital improvisation in the cargo industry with a focus on efficiency, the cargo operations movement to encourage e-AWB movements has resulted in a 70% penetration in the Colombo market, with the pursuit of a 100% penetration by 2020. SriLankan Cargo Operations launched its first mobile app in October 2018, enhancing the ability for customers to track shipments, access information on charges applicable, flight status, flight schedules and volume calculation of cargo.

The year under review was an exceptional year for air cargo primarily in capitalising on the lucrative yields in the market. However, the latter part of the financial year saw a significant slowing down of the momentum, with 2019 resulting in performances below the forecasted levels of the industry and far below that of 2018. E-commerce is forecasted to drive the growth during the lull in levels of world trade and carriers are compelled to enhance the level of speed and efficiency, in supplementing the demands of the technologically revolutionized e-commerce industry. SriLankan Cargo will face a challenging year ahead with the continued rationalisation of key cargo routes on a passenger demand driven network and pursuing dynamic strategies to ensure the customer expectations of speed and connectivity are met.

Flight Operations

Safety takes precedence as an uncompromising precept which is placed first among the Company values for creating a culture that is safe for all. The training programs given to our pilots and flight operations community are geared to ensuring safety and efficiency in managing our network operation accident free.

On-Time Performance (OTP)

SLA has held a very impressive 'On-Time Performance' level in the recent past, being ranked first place on two occasions under Global Flight category, and being placed second most punctual airline few times under same category during the period under review, as ranked by FlightStats. Managing the Hub and Spoke operation in Colombo base; SLA has carried a total of 5.7 Mn passengers having flown 33,359 frequencies maintaining an OTP rate of 86% average in the hub while consistently maintaining an 83% average network wise.

Management Discussion and Analysis contd.

Airline Operations Control Centre (AOCC) is the nerve centre entrusted with stabilizing the operation when disruptions occur and is responsible for managing the published schedule with minimum impact to the operation thus enabling the process of making well founded decisions. AOCC plays a pivotal role contributing for maintaining operational performance efficiently and steadfastly remaining vigilant 24 x 7, 365 days a year.

Emergency Response Plan (ERP)

In the aviation industry a swift response time to an emergency is an absolute requirement that needs to be maintained at a level of high readiness. The Corporate Emergency Response Plan that is in place, is a well-articulated plan for all members involved in handling an eventuality through all phases 'Before, During and After' an incident for carrying out individual/ collective responsibilities as prescribed. Training in exercises and simulation sessions are rehearsed at regular intervals for consistent awareness and practice enhancing the response time and preparation.

Flight Dispatch Centre

The prime function of Flight Dispatch Centre (FDC), is to plan and release flights complying with local and international regulations, route clearances, whilst ensuring time efficiency and maximum payload uplift for each flight. FDC also keeps a close tab on global fuel prices, for uplifting from station where the fuel prices are less compared to Colombo, an exercise known as 'Tankering'. The Airline was able to reap considerable savings on fuel as a result of this exercise during the period under review. Furthermore, the services rendered through the handling of foreign airlines by FDC also earned ancillary revenue.

Fuel Monitoring

Fuel is a major component of the cost of an airline, especially in the backdrop of global price volatility experienced during the year under review. Fuel management which is a crucial aspect of monitoring and quantifying the usage of aviation fuel (Jet A-1), is another vital function for the decision making process with insightful details that enables optimal fuel usage and cost reduction measures. This stringent monitoring process of aviation fuel has created an awareness among all stakeholders to be cautious and accurate in weight calculation, distribution and planning. This together with skilful flying techniques of pilots determine fuel burn leading to optimal performance.

The Airline secured a measure of global rankings for fuel usage and efficiency placing 14th and 4th in the category of similar business model in 2017 and 2018 respectively, marking ascending significant improvement.

Inflight Services

Inflight Administration and Training

Ensuring SriLankan brand values, Inflight Services continued to deliver the much valued custom of hospitality. The Cabin Services team continued to strive to reach out to excellence in inflight services. Our commitment was reflected through the 90% overall rating received for business class inflight experience.

Many key initiatives were carried out in the year under review which included the automation of the Purser Voyage Report which will be moved to an App based on iPads from the current manual forms. This will enable to include various information that may be relevant to enhance the passenger experience on board by

adding features such as frequent flyer information and carrying out on board surveys.

Cabin Supervisor engagement meetings including visits to SriLankan Catering with learning experience to deliver better onboard service were conducted during the year. Further, the Purser are being trained on exceptional varieties of Ceylon tea available on-board and a detailed familiarization from micro climates of the tea growing regions of Sri Lanka from production to value addition.

Inflight Support Services

During the year under review, the division achieved a considerable saving on inflight publications, aircraft laundry, inflight amenities and catering equipment by constant monitoring, cutting down on wastage, better control of stocks and revision of station stock levels, servicing and repairing of galley equipment at inflight workshop and coordination with Engineering to minimise ordering of galley equipment.

As part of the Airline's support to the Green Concept and to assist a nearby poor community as part of a corporate social responsibility project, Inflight Services commenced a programme to reuse linen as cleaning material which also provided a cost saving to the Company.

Inflight Duty-Free

Inflight Duty-Free operation ensures that reputed top brands are featured on 'Serendib Treasures' the duty-free magazine. 19 different currencies and credit cards are accepted for on-board settlement for the convenience of passengers.

As a leading contributor to ancillary revenue, Inflight duty free has executed vital strategies to optimise revenue and manage costs in the year under review. An incremental revenue was achieved during the year through special promotions which were launched parallel to the promotional calendar. Cost savings were made through process improvements to procedures and further savings in fuel cost through upgraded packing plans.

Inflight Services Future Outlook

The Inflight Services will continue to give strategic priority in the coming year to ensure excellence in on-board service with the brand promise of being customer centric. Whilst optimising the cost, Inflight team will continue to invest on required training, engagement and service enhancements.

Business Units Review

SriLankan Airport and Ground Services

Overview

Airport and Ground Services traversed through a challenging year recording many a milestone in delivering Safety, Precision and Service. A change in the organisation structure was also brought in by way of Cargo Handling Operations being transferred under Commercial effective from June 2018, whilst, the divisions of Airport and Ground Services brought under the purview of the Chief of Service Delivery effective from July 2018. New business was added with Chongqing Airlines, Edelweiss Air, Rossiya Airlines, Thai Air Asia and Thai Lion Air. Maintaining a competitive cost base posed considerable challenges as a result of a lower yielding LKR as well as mounting people costs.

Initiatives to improve service levels have helped SLA's 'On Time Performance' as a result of ground handling reliability reaching 99.08%. Ground Services Team made a significant contribution towards the achievement of SLA's OTP where they were placed second amongst world airlines in June, July and August 2018 and the first in September 2018. SLA Airport and Ground Services was also recognised for service excellence by Emirates Airlines in the month of January 2019, and by Qatar Airways in the month of February 2019. Furthermore our team was commended on attitude towards achieving punctuality and accountability during the Quality Assurance Audit conducted in February 2019, by Malindo Air, which resulted in SriLankan Airport and Ground Services achieving hundred percentage compliance.

Over 10.8 Mn passengers were welcomed to Bandaranaike International Airport (BIA), an increase of 2% compared to the previous financial year. 65,170 flights were handled during the year which was a marginal increase from the previous year and over 12 Mn pieces of baggage were delivered during the year.

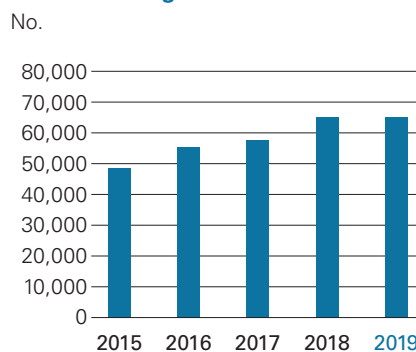
Initiatives

The Division completed a number of key initiatives with the aim of improving service levels, enhancing efficiency and developing work-arounds to overcome restrictions in limited airport infrastructure during operations.

Investments were done particularly on the human factor and technology. More opportunities were created for enthusiastic and passionate youngsters to join the team. Management teams were strengthened for better leadership and guidance. The Airport and Ground Services along with Human Resources Division launched the 'Talent Pool Development Programme' in January 2019, with the aim of grooming selected candidates for their next leadership positions. The programme design included a holistic development plan in technical and managerial skills.

The operational leadership was also provided with IT assisted decision making tools by way of interactive dash-boards feeding real time operational information. The dashboards being designed and developed in-house by SriLankan IT was a special achievement. There was also the installation of additional Internet Kiosks at check-in counters to aid staff in visa and documentation verification with a view to minimise error by oversight.

Number of flights handled at BIA



A campaign to closely ensure safety on-board through stringent monitoring of weight carried in the cabin was also an initiative launched during the year. The initiative has resulted in almost a 50% increase in the Company revenue by way of excess baggage particularly in the operating hub Colombo.

Management Discussion and Analysis contd.

Capital investment was made despite budgetary constraints in maintaining an efficient fleet in Ground Support Equipment (GSE). This is in line with a comprehensive blueprint for re-fleeting GSE to maintain high serviceability standards.

The 'Mission Ramp' initiative was conducted over a period of one week to facilitate effective staff engagement whilst exchanging views on improving standards of operations and administration. The involvement of individuals in teams towards this end was of great encouragement to the Management.

Future

The Division obtained compliance in audits conducted by IATA Safety Audit for Ground Operations (ISAGO) and IATA Operational Safety Audit (IOSA) for re-registry of certification. As a result of these certifications SriLankan Airport and Ground Services stands geared to serve all airlines with greater diligence.

The incident which occurred on 21 April 2019 has a short term impact on the revenue earnings in the current year as customer airlines reduced their frequencies in line with the reduction in the passenger demand for air travel to Sri Lanka. However some airlines have already announced restoring some of their frequencies in line with the improving passenger demand.

SriLankan Engineering

SriLankan Engineering recorded significant accomplishments during the year under review. The Division successfully passed the European Aviation Safety Agency (EASA) audit for Part-145 Base Maintenance for A320/A330 and also became

one of the first Maintenance and Repair Organisations (MRO) in the region authorised to carry out Base Maintenance of latest generation A320neo family aircraft, in addition to the A320 family current generation and A330 aircraft. The Division also successfully passed the IATA Operational Safety Audit (IOSA) with commendable performance relevant to its areas.

The continuing airworthiness management of the Sri Lankan fleet with maintenance executed by SriLankan Engineering, achieved targets for the SLA's fleet technical dispatch reliability levels and commercial utilisation of the aircraft.

Whilst strengthening its service standards and compliance the Division also sought to enhance revenue through securing additional customer airline maintenance work. Accordingly, a number of new customer airlines were secured for line maintenance work at Colombo by expanding the aircraft type approvals to include types frequently operated by customer airlines, such as Boeing 737NG/Max and 777. It intends to further enhance these new business streams in the coming financial year and is also in the process of attracting new base maintenance customers.

Additional training was offered to its maintenance professionals, improving the depth of knowledge to an already highly competent workforce and achieving approvals for additional aircraft types which are currently not operated by SLA.

During the year under review, the Division carried out 12 C-checks on its fleet. It also successfully returned one

A321 aircraft to the lessor at expiry of lease term, having completed all maintenance activities in house, on time.

With the responsibility of Aircraft Asset Management under its purview, the Division took steps to engage in detailed discussions with all major aircraft lessors and maintenance suppliers of the Company to seek improvements in current contractual terms and conditions. This has enabled achievement of a number of significant cost savings for the Company with immediate cash-flow benefits. The Unit also led the discussions on settlement and re-negotiation of terms in relation to one Airbus A330 aircraft that had been sub-leased to a European operator. This aircraft was successfully re-inducted to the fleet during the year.

In the coming year, the Division intends to streamline its maintenance activities for greater cost savings whilst expanding the customer airline business and seeking to initiate a long-term MRO joint venture with an established industry partner.

SriLankan Aviation College (SLAC)

SriLankan Aviation College, the training arm of SLA, marked a noteworthy performance with key milestones achieved in the year under review. The College collaborated with well renowned training and academic institutions and extended comprehensive aviation study options to students as well as to working professionals. SLAC was recognised as the top performing Authorised Training Centre (ATC) in the South Asian Region at the IATA Global Regional Training Partners Conference in New Delhi, India.

Engineering and Maintenance training conducted by SLAC is approved by Civil Aviation Authority of Sri Lanka (CAASL), European Aviation Safety Agency (EASA), Maldives Civil Aviation Authority (MCAA) and Pakistan Civil Aviation Authority (PCAA). Furthermore, SLAC is endorsed for ISO 9001:2015 (Quality Management Systems) and ISO 29990: 2010 (Learning services for non-formal education and training) by Bureau Veritas. Some of the key initiatives of SLAC are given below.

Bachelor of Engineering (Honours) top-up degree:

The College successfully inducted two batches to follow the Bachelor of Engineering (Honours) top-up degree with the Kingston University, London. This programme which was initiated in the UK since 2001 is expected to enable students who are qualified up to an 'EASA Category B License Training Certificate' to obtain an honours degree, accredited by the Royal Aeronautical Society. An experienced panel of lecturers from the Kingston University will support the programme with convenient course schedules to best-fit the employees working for the Airline.

Bachelor of Science in Aviation Studies for Commercial Pilots:

The College will be offering a Bachelor of Science in Aviation Studies (Honours) for Commercial Pilot Training with the Kingston University, London. The pilots with full ATPL can enrol for this degree and are eligible to apply for the degree on a part time basis.

Bachelor of Science in Aircraft Maintenance Engineering:

There are two batches currently following the Bachelor of Science in

Aircraft Maintenance Engineering degree programme offered by Sir John Kotelawala Defence University (KDU) in collaboration with SLAC. The four-year degree programme focuses on preparing undergraduates to be more competent and confident to take up their future role as Aircraft Maintenance Engineers.

Achieving University status:

SLAC is in the process of achieving University Grants Commission approved non state university status. Currently SLAC is completing the Institutional Review Report (IRR) and the Subject Review Report (SRR) process as a requirement to achieve the university status through the Ministry of Higher Education. The College is preparing the curriculum for Bachelor of Science in Hospitality and Travel Management (Aviation) and Bachelor of Science Aviation Management as its inaugural degree programmes. SLAC will be re-branded as the SriLankan Aviation Campus on achieving university status.

Practical training:

The College has also initiated and developed the necessary processes to set up a practical training unit for the students following aircraft maintenance training courses under Avionics and Mechanical fields. The proposed acquisition of two non-airworthy aircraft will further add value and support the training unit.

Geographical diversification:

SLAC has plans to open a franchise operation in the North and Eastern Provinces within the next financial year apart from exploring viable training opportunities in overseas markets such as Bangladesh and Maldives.

Eco-friendly training:

The College continues to support the Company's green initiatives by promoting responsible environmental practices in training and remain focused in its efforts to be 'paperless' in terms of using training aids, preparing manuals and carrying out examinations. SLAC staff is encouraged to adopt environmentally friendly habits; 'No to polythene' including lunch sheets and creating awareness on responsible consumption of resources including paper, water and energy.

SriLankan Catering Limited

Performance

SriLankan Catering Limited which is a fully owned Subsidiary of SLA, is the sole provider of inflight catering at Bandaranayke International Airport (BIA) and has shown a significant growth in performance during the year under review.

SriLankan Catering recorded another successful year and made a significant contribution to the bottom line of SLA and the Company performance for the last 10 years has given a clear indication of its strengths and potential.

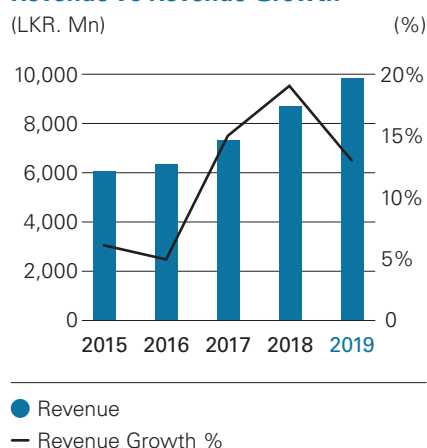
Apart from its main operation of inflight catering, it also manages/ operates restaurant cum lounges for transit passengers at BIA and Mattala International Airport (MRIA). As a part of its ancillary business activities the Company manages/ operates the Serenediva Transit Hotel and the industrial laundry.

Management Discussion and Analysis contd.

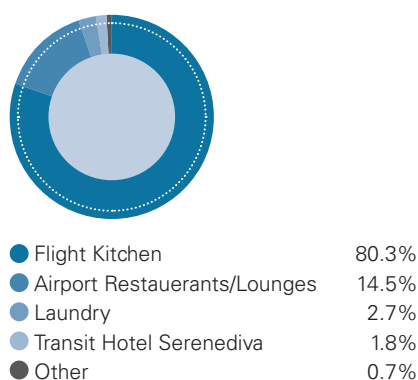
Revenue

The Company continued to strengthen its top line with revenue increasing of 13.4% to reach LKR. 9,750 Mn during the year against the LKR. 8,598 Mn achieved during the previous year.

Revenue Vs Revenue Growth



Sales Composition %



During the year inflight catering contributed 80.3% to the total revenue while it was 78.6% in the previous year. The impressive performance of the inflight catering reported an increase of 15.9% in revenue to LKR. 7,825 Mn in the financial year 2018/19 whereas LKR. 6,755 Mn was reported in 2017/18.

Furthermore, the Company was able to enlarge its customer base during the period by adding another two airlines namely Rossiya Airline and Chongqing Airline. The main contributor to inflight catering turnover was SLA, which represents 65% of the total inflight turnover and accounts for 74% (76% in 2017/18) of the total meals production during the period. Total meal production has reported a decrease of 4.9% from 5,808,805 meals per annum in 2017/18 to 5,523,939 meals per annum in 2018/19.

The contribution from Airport restaurant (public and transit) at BIA was 12.9% of total revenue. Airport restaurant revenue has increased by 4.6% to LKR. 1,266 Mn (LKR. 1,210 Mn in 2017/18) compared to the previous financial year. Furthermore, the other business turnover has also increased by 4.1%.

Operational Expenses

Total operating expenses increased by 7.3% to LKR. 3,029 Mn (LKR. 2,823 Mn in 2017/18) during the year as a result of an increase in administrative expenses by 10.5% and other operating expenses by 2.9% compared to the preceding year.

Net Finance income

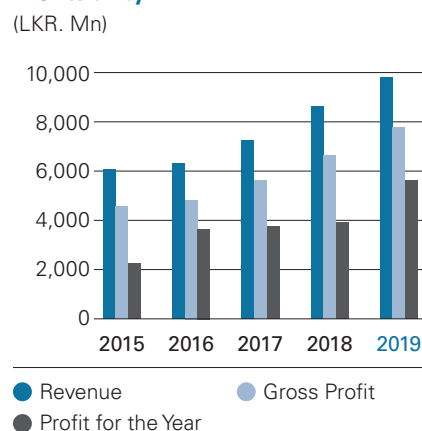
The Company net finance income increased to LKR. 972 Mn (LKR. 87 Mn in 2017/18) in the year under review mainly due to the increase in exchange gain by

431.9% as a result of the depreciation of the Sri Lanka Rupee. During the period, finance cost has increased by 3.5% due to the increase in term loans obtained for enhancement projects carried out.

Profitability

In the year under review gross profit increased by 16.6% to LKR. 7,723 Mn whereas gross profit margin increased from 77.1% to 79.2% mainly due to increase in average meal price, new airline customers and stringent controls over the cost of raw materials. Accordingly, Company's net profit increased by 44.0% to LKR. 5,602 Mn (LKR. 3,890 Mn in 2017/18) compared to the previous year with net profit margin increasing from 45.2% to 57.5%.

Profitability



Financial Position

The total assets stood at LKR. 12,590 Mn as at 31st March 2019, which was an increase of 33.8% compared to the preceding year, mainly on account of the revaluation of Property, plant and equipment.

Funds attributable to the shareholders post dividend payment was increased to LKR. 9,487 Mn, reflecting an

increase of 42.5% against the previous year, primarily stemming from the profit earned during the period and revaluation gains.

The Company has recorded an earnings per share of LKR. 5.96 for the financial year under review in comparison to the LKR. 4.14 of the previous year.

Improvements

During the year under review, SriLankan Catering has invested in many new expansion projects such as renovation of BIA restaurant kitchen, refurbishment of Palm Strip Lounge, addition of eight new rooms to Serenediva Transit Hotel and construction of a main guardroom building.

SriLankan Catering marked another successful year by winning two awards for its excellent performance. These include the Presidential Export Award for 2017/18 as the highest foreign exchange earner under the category of 'Processed Food and Beverages' and the winner of the National Business Excellence Awards 2018 under the 'Best State Services Sector' in extra-large category.

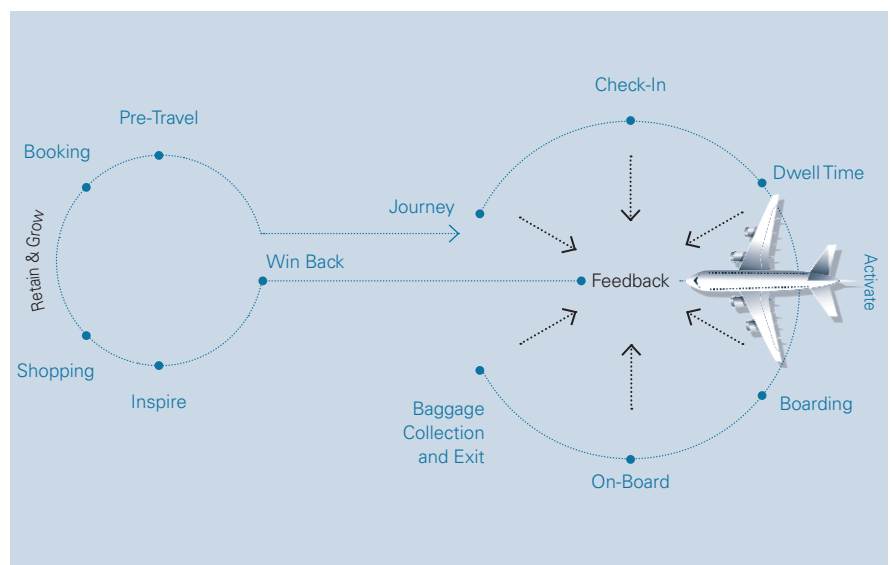
Support Services

SriLankan IT Systems

SriLankan Information Technology, referred as 'SriLankan IT Systems' believes in embracing innovations and evolving with the modern-day technology to lead Digital Transformation & Technology Adaption for the airline business operations with the state-of-the-art Aviation ICT backbone and digital initiatives spanning across the entire SriLankan Group.

SriLankan IT focuses on providing digital solutions to redefine and drive the existing business model which ensures internal and external customer convenience. One prime objective of SriLankan IT Systems is to digitally enable user divisions to deliver a personalised and a pleasant travel experience to the valued customers of SLA. SriLankan IT Systems has introduced many customer centric digital solutions to the passenger front by redefining the Airline Digital Vision with the launch of Passenger Digital Journey Map which presents the existing and future initiatives to enhance the passenger convenience at each passenger touch point throughout the journey.

Passenger Digital Journey Map - SriLankan Airlines



Enabling new digital business

Furthermore, expansion of direct online sales to generate more revenue from new digital businesses is one of the objectives of SriLankan IT. When it comes to the airline operations, enablement of Advanced Seat Reservation assisted passengers with greater convenience in seat reservation whilst being an ancillary initiative which contributed to bring additional revenue to the Airline apart from the traditional airlines' revenue whilst maintaining the cost factor to the minimum. In addition, SriLankan IT Systems contributed to earn a significant shared service revenue from the ICT service delivered to customer airlines.

SriLankan IT Systems contributed to the airline business through revamping number of e-business products during the year under review. These include mainly the projects focused to boost airline ancillary revenue, Responsive Digital Experience to online customer segment, E-Retail Management, Mobile App enhancements, revamping of SriLankan Aviation College website and Campaigning Tool for E-Commerce with an array of new ancillary services through Airline Passenger Service System (PSS).

Management Discussion and Analysis contd.

Launch of SriLankan Aviation college new website and student portal

SriLankan IT System revamped and launched a new website for SriLankan Aviation College during the year under review with a new look and more functionalities to improve online experience of students. The revamped new website is embedded with a 'Student Administration Portal' which has shown an improved customer satisfaction with simplified, user centric features, whilst maintaining the consistency and meeting the required compliance standards. This modernisation has also facilitated to attract and engage promotions to existing and potential students of SriLankan Aviation College as a result of the improvements on the user interface and user experience aspects of the website. The new site is mobile friendly with responsive web interface design and embedded with a live chat platform and many other features to engage the customers with the technologies and features.

Boosting ancillary revenue through technology

SriLankan IT Systems implemented ASR – (Advanced Seat Reservation) for long haul sectors and gradually rolled out to medium haul sectors towards the end of the year. In addition, ASR and Extra Leg Room Seats are extended for online channels covering www.srilankan.com and mobile web passengers, which became a greater cash generator under ancillary revenue. Additionally, chargeable seats, premium meals and pre-paid baggage extended slabs are enabled for passenger segment through GDS agents. Special cake with Two Complementary Glasses of Champaign is also made sellable through mobile webs, whilst enabling

excess baggage sales via SriLankan Mobile App.

Further, SriLankan IT Systems enabled marketing ancillary services at every page of the internet and mobile booking engine flows based on the market requirements and passenger interests. This was in addition to the two locations offered in the e-ticket receipt for promoting ancillary services.

Responsive digital experience for online passengers

SriLankan IT Systems introduced a responsive digital experience for online passengers purchasing through its website, which also resulted in significant cost savings during the year under review. With this enhancement, passengers were able to access a more user-friendly internet booking engine through their devices. Furthermore, Pay Later Option, Multi City Bookings and Redemption Booking facilities were also extended to mobile web platform reaching other untapped segments of the market. Moreover, passengers were enabled to perform date changes, flight changes and cabin changes by themselves via mobile website with this initiative enabling passengers with passenger centric digital features.

Digital transformation of SriLankan operations

SriLankan IT Systems' contribution for strengthening the Airlines' Cargo arm, the launch of a new Cargo Mobile App enabled greater mobile presence to the cargo operations and its valued customers. The introduction of new Ground Handling Billing System - FINESSE was launched in collaboration with the business units for a much robust, streamlined and accurate billing practice to customer airlines.

The launch of first ever trial on visa verification service through KIOSKS for Airport Service Delivery at BIA contributed to transform the existing visa verification process reducing the passenger acceptance time in the check-in process. The launch of iFleet Application developed by in-house Software Engineers assisted the airline operations in many ways to save licensing cost, whilst bringing the glimpse of flight schedules and related information to the fingertips.

SriLankan IT Systems' partnership in developing and managing Amadeus Internet Booking Engine (IBE) with the product named 'E-Retail Management', has empowered Airline E-commerce to perform market wise promotions instantly while personalising the passenger journey. This was an initiative which has improved the time to market in a greater scale, whilst enabling IBE content customisation based on sales and travel periods, travel origin and destination, cabin class, flight number, and many other options. This initiative enabled SLA to manage the Internet Booking Engine content instantaneously without the vendor support and as a result achieved a cost saving. During the year under review the outdated Ground Radio Communication System was also replaced with a new Digital technology radio solution to keep the business units connected every time around the clock 24x7 - 365 days with the advanced modern technology.

'Airline Insight' Management Information System (MIS)

SriLankan IT Systems made improvements to the Data Driven Management Information System platform branded as 'Airline Insight' for the airline business and operations. This entailed a self-service business intelligence platform supported by

predictive analytics and scenario simulations. Airline Insights are currently being widely used across SriLankan Group business units as a key decision support system with continuous improvement to enable next generation analytics. The platform is fully integrated with mobile dashboards and with real time feeds supported by operational statistics representing the critical data sets covering the airline group data. During the preceding financial year SriLankan IT Systems took initiatives to empower the Business Analysis Professional with predictive analytics and Machine Learning (ML), which eventually will benefit the Airline with the future innovations. SLA successfully embarked on the data driven operations practices using Information Technology.

Business Continuity Management (BCM)

SLA operational and business continuity with 24x7 uninterrupted group ICT services is one of the key goals of SriLankan IT Systems. During the preceding financial year, SriLankan IT Systems was able to maintain a record of service excellence through an uninterrupted ICT service with robust aviation technologies covering the worldwide airline operation of SLA. Airline IT Systems Availability exceeded 99.5% in the year under review. This includes the ICT services covering global communication and business systems, which has been established with end to end system connectivity linking the SLA operational and sales destinations across the continents. To keep the Airline connected at every time, SriLankan IT Systems manages data centre facility equipped with modern day technology. During the ensuing financial year SriLankan IT Systems could contribute to reduce the server

and carbon footprint significantly by further enhancements of server virtualisation and server consolidation using the state-of-the-art technology.

Group data protection, compliance and governance

SLA's IT continued its success in compliance for International Standards and Certifications during the financial year 2018/19 with ISO/IEC 27001:2013 Information Security Management for SriLankan Group, ISO/IEC 20000:2011 IT Service Management for IT Division and ISO 9001:2015 Quality Management System for Software Development. In addition, SriLankan IT marked a significant achievement in the year under review through the implementation of recommendations and guidelines to comply with European Union General Data Protection Regulation (GDPR) with an emphasis on data protection and privacy throughout the passenger journey.

Human Resources Management

During the year under review SriLankan Human Resources function focused on to lead change to drive the organisation towards clearer skies with many challenges in hand. The HR philosophy was realigned to drive organizational change and this message was promulgated across the company.

In order to align the HR strategy with the business strategy and objectives, the HR division focused on four key areas of strategic importance.

People Resourcing and Optimisation

HR ensures that the people remain engaged and productive and they are given the opportunity to reach their fullest potential. The following initiatives were launched under this pillar to optimise cadre in order to improve productivity;

- Engagement with the line managers on cadre optimisation initiatives in terms of job enrichment and redesign, process automation and the introduction of new work patterns to optimise cadre numbers

Management Discussion and Analysis contd.

- Using anticipated attrition as an opportunity to restructure the work processes and optimise cadre
- Engaging with the unions so that inclusive solutions may be derived for the betterment of the employees.

Driving People Engagement to Enhance Productivity

The focus was to make SriLankan a sought after employer brand. The following initiatives were taken under this pillar;

- Positive Employee Engagement - UL 1st Turnaround Challenge

Driven by the vision of engaging and involving employees in the turnaround efforts of the Airline, 'UL 1st Turnaround Challenge' was launched to create a forum where employees can share their thoughts, innovative ideas and proposals on how they could contribute towards the Airline's turnaround. Employees were invited to submit proposals on the measures that can be taken to enhance processes, introduce new practices and increase revenue.

The UL 1st Turnaround Challenge revolved around the theme of 'Plan, Execute, Win' whilst engaging with employees at a strategic level.

- Launch of pULse performing arts club – Encouraging ultimate self-expression

pULse, the performing arts club of SriLankan provides employees with the opportunity to let go of the inner workaholic and awaken the artist in them. pULse provides the platform for employees to get together and showcase their talents. It has proven to be a timely employee engagement initiative that inspired and rejuvenated all employees to come together as

one and act as change agents of the organisation to achieve the strategic goals.

Skill development and nurturing of talent to build strong leadership pipelines

SLA's end to end operation requires diverse skill sets. Therefore we have placed a strong emphasis on developing and harnessing human talent. We offer class room and operational training, mentoring and coaching to build key competencies in technical and soft skills. We believe that increasing knowledge and improving skills are vital for the continued growth of the organisation and also for employee retention.

- Career Management/Succession planning

This is intended to provide a strategic framework to ensure that the organization has identified its key positions and successors for the leadership tier. The programme focusses on nurturing the high potentials selected for the positions mapped and building their skills and competencies required for the future.

- Development of Focused Talent pools

The purpose of this talent pool is to have a leadership pipeline ready to address the natural attrition at the Airport and Cargo division. The selected pool members will undergo a structured training programme which focuses on up skilling both soft skills and technical skills.

Health and well-being of employees

The Health and well-being of our employees have a direct impact on the business. Understanding the importance of having a stress-free yet motivated and capable

workforce, we have launched an Employee Assistance Center (EAC)/ In-house counsellor at SLA. Employee productivity and wellbeing are correlated. The EAC would provide advisory and counselling service on areas such as work-life balance, positive parenting, coping with stress and emotional challenges in professional and personal life. SLA was the first to launch an EAC in the corporate sector.

Community Engagement

SriLankan Cares

SriLankan Cares brings together many independent Corporate Social Responsibility (CSR) projects that have been conducted by various divisions and teams within the Company, embodying the selflessness and generosity of our employees. The CSR Mandate of SriLankan Cares includes 3 main Areas, Child, Planet and Talent. Under each of these areas, we conduct specific CSR initiatives to maximise the impact on society and minimise the negative influence on the environment, whilst supporting the Company's strategic CSR objectives. During the year under review, SriLankan Cares conducted several such programmes.

Education

Under the umbrella of Education, SriLankan Cares completed one year of funding the Village Heartbeat Empowerment (VHE) Centre, a vocational training facility. To mark this significant achievement SriLankan Cares organised a special educational workshop for young individuals in Oddusuddan in Northern Province.

Driven by the vision of nurturing the next generation of aviation professionals, SriLankan Cares launched 'From School to the World',

a special education program for secondary school students aspiring to join the aviation industry in order to expand related awareness and to sharpen their relevant skills. SriLankan Cares also donated sports equipment and a Volleyball court to Aadiambalama Maha Vidyalaya in Katunayake facilitating them with an extension of overall education and conducted a number of Educational Familiarisation programmes for under-privileged school children from around the island.

Health

With regard to Health outreaches, SriLankan Cares held two special medical camps, one in Dehilandha, Hambantota and one in Katunayake for the children of SLA Staff. SriLankan Cares facilitated more than 10 children suffering with critical illnesses with free air travel for essential surgeries overseas.

Getting the SriLankan staff to be directly involved in social responsibility, SriLankan Cares conducted a number of 'Care Giving Days', CSR outreaches with a variant of communities, inculcating in each personnel increased compassion and humane sensitivity. SriLankan Cares also spearheaded the staff fund raising to supply with clean drinking water and sanitation facilities for a family which included three children suffering from terminal illnesses in Pabbogama, Anuradhapura.

Environment Management

As a responsible airline, SLA has always been a forerunner for environmental conservation. With the 'Planet Friendly SriLankan', Airline's environmental motto initiated in 2009, we have integrated the environmental best practices in to our daily operations in order to

curtail the Airline's carbon footprint. Equipped with environmental policies, SLA stands committed to control Green House Gas (GHG) emissions; support UN Sustainable Development Goals and also National Determine Contributions (NDC) while voicing and creating awareness on pressing environmental issues, thereby, enabling SLA to be the change that we want to see in the world.

The team is engaged in many initiatives which solely focused on environmental conservation collaborating with local and international stakeholders. SLA is committed in meeting and complying with all applicable environmental laws and regulations, in both domestic and global levels.

Building Internal Resilience

As an organisation which believes in promoting sustainable work practices, SLA continuously seeks ways to improve its environmental performance and live up to its promise of being a 'Planet Friendly Airline'. Several internal awareness sessions in this regard were conducted including a ISO 14001:2015 Environment Management Standards seminar for the Airline's staff.

Compliance

With precedence given to environmental responsibility, SLA is compliant with the laws, rules and regulations stipulated by the Central Environment Authority and in compliance with the aviation certification standards on environmental facets. SLA has not been subjected to any fines for non-compliance in the year under review.

SriLankan Policy on 'Carriage of Fauna and Flora'

Under the programme 'United for Wildlife', SriLankan formulated a comprehensive corporate policy on the 'Carriage of Fauna and Flora' on board SriLankan aircraft. Aligned to the Convention on International Trade in Endangered Species, the policy sets out our allegiance to the international conservation practices including the ban on transporting of wild game trophies and parts of endangered species and non-human primates for laboratory purposes.

Green Challenge 2018

Considering the importance of environment conservation, in 2018, the Airline's Environment Unit launched 'Green Challenge 2018', a divisional competition to reduce polythene usage. Going with the year's environment day theme 'Beat Polythene' the competition set to give divisions opportunity to compete with each other by being creative to reduce polythene from their daily operations.

Social Impact

SriLankan Environment unit concluded many social impact endeavours with many stakeholders during the year. A beach clean-up conducted with students at SriLankan Aviation College (SLAC), field visit to 'Diyasaru Wetland Park' with School Green Club members, and also the awareness session organised for School Green Club members at Andiambalama Maha Vidyalaya on waste management are few activities among many.



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Annual Report of the Board of Directors

The Board of Directors of SriLankan Airlines Limited, take pleasure in presenting the Annual Report for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Company is the operation of international, scheduled/non-scheduled air services for the carriage of passengers, freight and mail as the designated carrier of Sri Lanka. Providing air terminal services at the Bandaranaike International Airport ("BIA") and the Mattala Rajapaksa International Airport ("MRIA"), sale of duty-free goods on-board, marketing inbound and outbound holiday packages constitute other main activities of the Company. Providing third party aircraft maintenance, provision of flight operation services and conducting aviation related training constitute ancillary activities of the Company. There was no significant change in the nature of activities of the Company during the financial year. The Group consists of the Company and its' wholly owned Subsidiary SriLankan Catering Limited, whose principal activity is the provision of Inflight Catering Services to airlines operating through BIA and MRJA. Other ancillary activities consist of operating public and transit restaurants, provision of laundry services and managing the transit hotel.

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The complete Financial Statements duly signed by the Chief Financial Officer and the Directors and the Auditors' Report thereon for the year ended 31 March 2019 are attached to this Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial

Statements are given on pages 61 to 74.

GROUP TURNOVER

The turnover of the Group amounted to LKR. 184,097 Mn (2017/18: LKR. 164,639 Mn). A detailed analysis of Group Turnover is given in Note 20 to the Financial Statements. Transactions between the Company and its fully owned Subsidiary, SriLankan Catering Limited is conducted at fair market prices.

RESULTS

The Group's net loss for the year after taxation is LKR. 41,700 Mn (2017/18: LKR. 18,585 Mn). Group incurred a taxation expense of LKR. 73 Mn. (2017/18 – LKR. 6 Mn). The Statement of Profit or Loss for the year is given on page 57.

GROUP INVESTMENT

Group capital expenditure during the year on Property, Plant and Equipment amounted to LKR. 1,070 Mn (2017/18: LKR. 1,676 Mn).

PROPERTY, PLANT AND EQUIPMENT

The net book value of the Property, Plant and Equipment of the Group as at the Reporting date amounted to LKR. 10,222 Mn (2017/18: LKR. 10,348 Mn). Details of Property, Plant and Equipment and their movements are given in Note 4 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company amounts to LKR. 51,617 Mn. (2017/18: LKR. 51,617 Mn).

RESERVES

Total Group Reserves as at 31 March 2019 amount to a negative LKR. 219,729 Mn (2017/18: negative LKR. 177,201 Mn). This consists of accumulated losses of LKR. 223,489

Mn (2017/18: LKR. 181,821 Mn), Capital Reserves of LKR. 3,760 Mn (2017/18: LKR. 4,620 Mn). Movement in these Reserves is shown in the Statement of Changes in Equity in the Financial Statements.

CORPORATE DONATIONS

The Group made donations amounting to LKR. 8.75 Mn during the year. (2017/2018: LKR. 2.48 Mn).

TAXATION

The Company enjoyed a tax holiday up to 31 March 2013 in terms of its agreement with the Board of Investment of Sri Lanka. The Company was exempted from all taxes in respect of all its business activities up to 31 March 2021 under the provisions of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011. However, with the enactment of the Inland Revenue Act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018. The Company is liable for tax on its overseas operations in countries where there are no double taxation treaties at present. The Subsidiary, SriLankan Catering Limited enjoys a tax holiday up to 30th of May 2021 in terms of its agreement with the Board of Investment of Sri Lanka. At present, net profit earned from the operations of Flight Kitchen, Transit Restaurant, Transit Hotel, Airline laundry and EK lounge are fully exempted from Income Tax up to 30th May 2021. Thereafter, net profit shall be liable at the concessionary rate of 15% for further 8 years up to 30th May 2029. The net profit earned from Public Restaurant, Vanilla Pod food outlets, Semondu Restaurant and the local laundry and other income are liable for income tax at the prevailing tax rate of 28%.

SHARE INFORMATION

Share information as at 31st March 2019 is as follows:

Share Ownership	No. of shares	% of Holding
Government of Sri Lanka	511,574,169	99.11%
Employees Provident Fund	1,863,676	0.36%
Others	2,736,510	0.53%

COMPLIANCE WITH LAW AND REGULATIONS

The Company at all times ensured that it complied with the applicable laws and regulations. The Management Officers responsible for compliance, tables a report on the compliance at the quarterly meetings of the Audit Committee.

RELATED PARTY TRANSACTIONS

Related Party transactions are disclosed in Note 28 to the Financial Statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities as at 31 March 2019 and Commitments made on Capital Expenditure as at that date are given in Note 25 to the Financial Statements.

EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the Reporting date that would require adjustment or disclosure, other than those disclosed in Note 27 to the Financial Statements.

HUMAN RESOURCE/EMPLOYMENT POLICIES

The Company continued to invest in human capital development and implement effective workforce aligned around new business priorities and to ensure that its employees are developing the skills and knowledge required for the future success of the Company.

Employment policies of the Group respect the individual and offer equal career opportunities regardless of gender, race or religion. Occupational health and safety standards receive substantial attention. The number of persons employed by the Company at the year-end was 6,794 (2017/18: 7,019) and by the Subsidiary was 1,050 (2017/18 – 1,071).

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government of Sri Lanka have been made up to date.

ENVIRONMENTAL PROTECTION

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to keep adverse effects on the environment to a minimum and to promote co-operation and compliance with the relevant authorities and regulations.

CORPORATE GOVERNANCE/INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate world. The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to provide assurance, inter alia, on the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time. The Report of the Board Audit Committee forms part of this Annual Report. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing of the Financial Statements.

GOING CONCERN

As noted in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing the Financial Statements.

THE BOARD OF DIRECTORS

In accordance with Article 79 of the Articles of Association of the Company the Directors are appointed by the Government of Sri Lanka. Brief profiles of the present Directors are given on pages 12 to 17 of the Annual Report. Mr. G. S. Withanage is a full time Chairman since 20th December 2018 and the other Directors are Non-Executive Directors.

Annual Report of the Board of Directors contd.

Mr. G. S. Withanage (Chairman)	Appointed w.e.f. 13th November 2018
Mr. Johann Wijesinghe	Appointed w.e.f. 08th May 2018
Mr. S. G. Senarathna - Treasury Representative	Appointed w.e.f. 21st May 2018
Senior Prof. Arjuna P. De Silva	Appointed w.e.f. 21st May 2018
Mr. Deshal De Mel	Appointed w.e.f. 06th August 2019
Mr. A. M. P. M. B. Atapattu - Treasury Representative	Appointed w.e.f. 06th August 2019
Mr. A. K. D. D. D. Arandara - Treasury Representative	Appointed w.e.f. 12th September 2019

Past Directors

The Following Directors were in office during the financial year commencing from 01st April 2018 until resignation from the Board on the following dates;

Mr. H. K. Balapatabendi	26th June 2015 to 02nd April 2018
Mr. M. Tittawella	29th March 2018 to 30th October 2018
Mr. Ranjit Fernando	29th March 2018 to 12th November 2018
Dr. Mrs. Roshan Perera	29th March 2018 to 21st June 2019
Air Chief Marshal (Rtd.) Kapila Jayampathy	29th March 2018 to 22nd August 2019
Mr. Susantha Katugampala	29th March 2018 to 12th September 2019

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

A remuneration policy has been formulated based on market and industry factors and individual performance for the Group. The Human Resources and Remuneration Committee meets every quarter. The following members of the Board comprises of the Human Resources and Remuneration Committee (HR&RC) of the Company as at date;

Mr. A. M. P. M. B. Atapattu (Chairman)
- Treasury Representative
Mr. A. K. D. D. D. Arandara - Treasury Representative
Senior Prof. Arjuna P. de Silva
Mr. Deshal De Mel

MEMBERS OF AUDIT COMMITTEE

Mr. M. Tittawella was the Chairman Audit Committee during the financial year, until he resigned on 30th October 2018. The following members

comprise of the Audit Committee as at date;

Mr. S. G. Senarathna (Chairman) - Treasury Representative
Senior Prof. Arjuna P. De Silva
Mr. Deshal De Mel
Mr. A. M. P. M. B. Atapattu - Treasury Representative
Mr. A. K. D. D. D. Arandara - Treasury Representative

The Audit Committee Report is given on page 50 of this Annual Report.

DIRECTORS' MEETING ATTENDANCE

Sixteen Board Meetings (inclusive of one Meeting for 'Restructure') were convened during the financial year and the attendance of the Directors were as follows;

Name of the Director during the Financial Year 2018/2019	No. of Board meetings attended for the period of directorship
Mr. G. S. Withanage (Chairman)	6/6
Mr. Johann Wijesinghe	12/13
Mr. S.G. Senarathna - Treasury Representative	11/13
Senior Prof. Arjuna P. De Silva	10/13
Mr. Susantha Katugampala (Ceased w.e.f. 12th September 2019)	16/16
Air Chief Marshal (Rtd.) Kapila Jayampathy (Resigned w.e.f. 22nd August 2019)	12/16
Dr. Mrs. Roshan Perera (Resigned w.e.f. 21st June 2019)	13/16
Mr. Ranjith Fernando (Resigned w.e.f. 12th November 2018)	10/10
Mr. M. Tittawella (Resigned w.e.f. 30th October 2018)	8/10

DIRECTORATE – SRILANKAN CATERING LIMITED

The current Board of Directors of SriLankan Catering Limited is as follows:-

Mr. G.S. Withanage	Appointed Chairman w.e.f. 26th November 2018.
Mr. S.G. Senarathna -Treasury Representative	Appointed w.e.f. 30th May 2018.
Mr. Johann Wijesinghe	Appointed w.e.f. 30th May 2018.
Senior Prof. Arjuna P. de Silva	Appointed w.e.f. 24th January 2019
Mr. Deshal De Mel	Appointed w.e.f. 28th August 2019
Mr. A. M. P. M. B. Atapattu - Treasury Representative	Appointed w.e.f. 28th August 2019
Mr. A. K. D. D. D. Arandara - Treasury Representative	Appointed w.e.f. 12th September 2019

The following Directors were in office during the financial year commencing from 01st April 2018 until resignation from the Board on the following dates.

Mr. H. K. Balapatabendi	Ceased w.e.f. 02nd April 2018
Mr. M. Tittawella	Resigned w.e.f. 30th October 2018
Mr. Ranjit Fernando (Chairman)	Resigned w.e.f. 12th November 2018
Dr. Mrs. Roshan Perera	Resigned w.e.f. 21st June 2019
Air Chief Marshal (Rtd.) Kapila Jayampathy	Resigned w.e.f. 22nd August 2019
Mr. Susantha Katugampala	Ceased w.e.f. 12th September 2019

DIRECTORS' REMUNERATION

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 28 on page 99 of this Report as per the requirements of section 168 (1) (f) of the Companies Act, No.7 of 2007.

DIRECTORS' SHAREHOLDINGS

By virtue of office two of the Government of Sri Lanka (GOSL) Nominee Directors Mr. G. S. Withanage and Mr. A. M. P. M. B. Atapattu are holders of 03 Ordinary Shares of the Company.

INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act No.7 of 2007. All Directors of the Company have disclosed their interests in other companies to the Board and those interests are recorded in the Directors' Interests Register confirming to Sections 192 (1) and 192 (2) of the Companies Act, No. 7 of 2007.

The Interests Register is available for inspection as required under the Companies Act No.7 of 2007.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company.

ANNUAL GENERAL MEETING

The Forty First Annual General Meeting of the Company will be held on Friday, 08th November 2019 at 10.00 a.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7, Sri Lanka.

The notice of the Annual General Meeting in on page 115 of the Annual Report.

AUDITORS

In accordance with Article 36 of the Nineteenth Amendment to the Constitution the Auditor General is hereby appointed Auditors of the Company. Details of audit fees are set out in Note 22 to the Financial Statements. The Auditors, do not have any relationship (other than of an Auditor) with the Company or its Subsidiary.

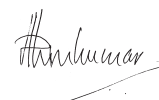
Signed on behalf of the Board,



G. S. Withanage
Chairman



S. G. Senarathna
Director/Treasury Representative



Dalrene Thirukumar
Company Secretary/ Head of
Corporate Secretarial Services

17th September 2019
Colombo

Board Audit Committee Report 2018/19

ROLE AND RESPONSIBILITIES

The Board Audit Committee of SriLankan Airlines scope and responsibilities are governed by the Board Audit Committee Charter approved and adopted by the Board of Directors. The purpose of the Board Audit Committee is to assist the Board of Directors of SriLankan Airlines Ltd. in fulfilling its responsibilities for the system of internal controls, the financial reporting process, the risk management process, the governance process, the audit process and the Company's process for monitoring compliance with laws and regulations and code of conduct.

COMMITTEE COMPOSITION

The Board members who served on the BAC during the year ended 31 March 2019 were Mr. M. Tittawella (Chairman, appointed 24 April 2018 and resigned 30 October 2018), Mr. S G Senarathna (Member, appointed 24 April 2018 and Chairman, appointed 24 January 2019), Dr. R. Perera (Member, appointed 24 April 2018 resigned 21 June 2019), Air Marshal K. Jayampathy (Member, appointed 24 April 2018), Mr S. Katugampala (Member, appointed 24 January 2019) and Prof. A. De Silva (Member, appointed 02 January 2019).

Ms. A. D. Dilrukshi and Ms. P. G. I. Padmini from National Audit Office and Mr. K. A. C. Shamantha from Ministry of Public Enterprises attended the Audit Committee meetings as Independent Observers.

MEETINGS

The Board Audit Committee held four (4) meetings during the year ended 31 March 2019. The members of the management attend the meetings upon invitation to brief the Board Audit Committee on specific issues.

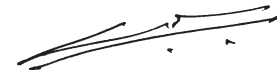
GROUP ASSURANCE AND ADVISORY SERVICES DIVISION

The Group Assurance and Advisory Services (GAAS) Division of SriLankan Airlines conducts internal audits and reports directly to the Board Audit Committee. The GAAS provides an independent and objective evaluation of adequacy, efficiency and effectiveness of the system of internal controls including IS/IT controls and facilitates the implementation of the Enterprise Risk Management (ERM) framework. GAAS also provides advisory services to the management on the Business Continuity Management System, Governance and Compliance processes.

KEY ACTIVITIES OF THE BAC DURING THE FINANCIAL YEAR

- Reviewed the implementation of annual internal audit plan and the key audit findings on system of internal controls including IS/IT controls and the implementation status of audit recommendations.
- Reviewed the Risk Management processes and procedures adopted by management to mitigate the effects of business risks.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws and regulations have been complied.
- Reviewed and recommended to the Board for approval the Corporate Management System Manual and Enterprise Risk Management Manual.
- Reviewed the implementation of the Business Continuity Plans in order to minimise the effects of risks from business interruptions/ disasters.

- Met with External Auditors to ascertain the nature, scope and approach of the External Audit and review Audited Financial Statements and Management Letter.
- Reviewed the Year-end Audited Financial Statements and recommended for Board approval.
- Reviewed the Internal Audit Function, including the independence and authority of its reporting obligations.



Mr. S. G. Senarathna

Chairman

Board Audit Committee

19th August 2019

Statement of Directors' Responsibilities

The responsibilities of the Directors in relation to the financial statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their report appearing on page 53.

The Companies Act No.7 of 2007 requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the Profit or Loss of the Company and the Group for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made, and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company and its Subsidiary keep sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company and the Group for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

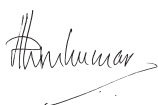
The Directors continue to adopt the 'Going Concern' basis in preparing the Financial Statements, after considering the Government of Sri Lanka's (GOSL) continuous support to the Company by way of providing letters of comfort to obtain bank facilities, and also

considering GOSL's efforts in the restructuring of the Company and a view to strengthening the Operational and Financial Position of the Company. Further the GOSL by way of Cabinet approval dated 27th August 2019 has confirmed that the GOSL will extend the required financial support to the Company to continue its operations as a 'Going Concern' until the proposed restructuring process is completed as described under Note 3 to the Financial Statements.

The Directors have taken steps to ensure that the Auditors have been provided with every opportunity to undertake whatever inspections they considered appropriate to enable them to form their opinion on the financial statements.

The Directors confirm that to their best of knowledge, all taxes, levies and financial obligations of the Company and its Subsidiary as at the Reporting date have been paid or adequately provided for in the financial statements.

By Order of the Board



Dalrene Thirukumar
Company Secretary

17th September 2019

Independent Auditors' Report



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.:

AVA/C/SLAL/06/18/103

ඔබේ අංකය
உமது இல.
Your No.:

දිනය
திகதி
Date:

13 October 2019

Chairman

Sri Lankan Airlines Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lankan Airlines Limited and its Subsidiaries for the year ended 31 March 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lankan Airlines Limited (“Company”) and the consolidated financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the

National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provision in Article 154(6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter - Material Uncertainty Related to Going Concern

I draw attention to Note 3, which indicates that the Company incurred

a loss of Rs. 44,022.67 million during the year ended 31 March 2019 with an accumulated loss of Rs. 230,590.07 million and, as of that date, the Company’s current liabilities exceeded its current assets by Rs. 186,339.26 million and total liabilities exceeded its total assets by Rs. 177,556.23 million. Further, the Group incurred a loss of Rs. 41,700.33 million during the year ended 31 March 2019 with an accumulated loss of Rs. 223,488.73 million and, as of that date, the Group’s current liabilities exceeded its current assets by Rs. 177,725.40 Million and total liabilities exceeded its total assets by Rs. 168,111.70 million. As stated in Note 3, these events and conditions, along with other matters as set forth in Note 3, indicate a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Having taken into account the mitigating factors as disclosed in Note 3 along with the Cabinet approval on 27 August 2019 and the letter issued by the Secretary to the Treasury on 16 September 2019 obtained for the purpose of the statutory audit for the year ended 31 March 2019, confirming the support of the Government of Sri Lanka (GOSL) to the Company to continue its operations as a “Going Concern”, these financial statements



have been prepared using going concern assumption. My opinion is not modified in respect of this matter.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018 the Company and the Group are required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and Group.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and

maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Independent Auditors' Report contd.



- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of Section 163 (1) (d) of the Companies Act, No. 7 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No.07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018.
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

3. Other matters

3.1 I refer to my two separate special audit reports tabled in parliament on 24 January 2019 and 05 August 2019 in respect of refueling of 14 no. of Aircrafts and Termination of Lease Agreements on 04 no. of A350-900 Aircrafts. Major audit issues highlighted in these two reports are given below.

- (i) The Company had not adhered to Government Procurement Guidelines in obtaining consultative services for the entire process, selecting companies for purchasing six (06) A 330-300 aircrafts and four (04) A350-900 aircrafts, leasing another four (04) A350-900 aircrafts and sell and lease back of above six (06) A 330-300 aircrafts, within 08 years from the year 2013.
- (ii) The decision for purchasing aircrafts had been taken by the Board of Directors of the Company without obtaining approval of the Cabinet of Ministers and without making a proper cost benefit analysis.
- (iii) A sum of Rs. 17,058.1 million had paid as compensation in the process of revocation of lease agreements for obtaining four (04) A350-900 aircrafts on lease which was scheduled to be delivered in the year 2016/2017

(iv) The Company is in negotiation with Airbus SAS Company to amend the purchase agreement of four (04) no. of A350-900 aircrafts which is to be delivered in 2020 and 2021 to replace with A321 NEOs and/or A330 NEOs and as at the reporting date amounting to Rs. 2,528.12 million (USD 19.21 Mn) had been paid to Airbus as pre-delivery payment. However, no final decision had been taken until the date of this report.

3.2 Uncertainty with regard to impact of SLFRS 16

SLFRS 16 becomes effective with effect from 01 January 2019. The disclosures in Note 2.5 are based on a preliminary assessment by the Company. However, any potential impact arising on impairment of the Right-of-Use Assets has not yet been determined by the Company due to matters disclosed in the said note.



W. P. C. Wickramaratne
Auditor General

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	10,221.90	10,348.22	7,542.19	8,154.98
Aircraft Predelivery Payments	5	2,528.12	2,528.12	2,528.12	2,528.12
Aircraft Maintenance Reserve	6	19,981.17	20,724.17	19,981.17	20,724.17
Aircraft and Spare Engine Deposits		6,403.16	5,820.58	6,403.16	5,820.58
Intangible Assets	7	131.98	248.30	99.51	206.17
Investments	8	0.40	0.40	42.44	42.44
		39,266.73	39,669.79	36,596.59	37,476.46
Current Assets					
Inventories	9	5,191.55	4,755.98	4,849.87	4,421.51
Trade and Other Receivables	10	20,604.31	18,266.51	19,570.39	17,296.91
Aircraft Maintenance Reserve	6	13,747.07	6,226.64	13,747.07	6,226.64
Aircraft and Spare Engine Deposits		303.60	74.68	303.60	74.68
Investments	8.1	922.45	749.96	590.45	589.59
Cash and Bank Balances	11	2,212.02	1,841.58	1,681.03	1,481.17
		42,981.00	31,915.35	40,742.41	30,090.50
Total Assets		82,247.73	71,585.14	77,339.00	67,566.96
EQUITY AND LIABILITIES					
Equity					
Stated Capital	12	51,617.44	51,617.44	51,617.44	51,617.44
Reserves	13	3,759.59	4,620.38	1,416.40	2,782.72
Accumulated Losses		(223,488.73)	(181,820.71)	(230,590.07)	(186,596.50)
Total Equity		(168,111.70)	(125,582.89)	(177,556.23)	(132,196.34)
Non-Current Liabilities					
Preference Shares	14	1,000.00	1,000.00	-	-
Interest Bearing Liabilities	15	10,321.02	44,556.66	10,234.42	44,497.74
Other Long-term Liabilities	16	18,332.01	25,490.05	17,579.14	24,906.95
		29,653.03	71,046.71	27,813.56	69,404.69
Current Liabilities					
Sales in Advance of Carriage	17	25,316.76	23,629.03	25,316.76	23,629.03
Trade and Other Payables	18	82,152.15	34,561.86	88,676.41	38,924.42
Income Tax Payable		201.24	191.68	175.45	175.45
Interest Bearing Liabilities	15	113,036.25	67,738.75	112,913.05	67,629.71
		220,706.40	126,121.32	227,081.67	130,358.61
Total Liabilities		250,359.43	197,168.03	254,895.23	199,763.30
Total Equity and Liabilities		82,247.73	71,585.14	77,339.00	67,566.96

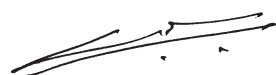
These financial statements are prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Shaminda Samaraweera
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by:



S.G. Senarathna
Director/Treasury Representative



Johann Wijesinghe
Director

The Accounting Policies and Notes on pages 61 to 106 form an integral part of these Financial Statements.

17 September 2019

Colombo

Statement of Profit or Loss

Year ended 31 March	Note	Group		Company	
		2019 LKR. Mn	2018 (Reclassified) LKR. Mn	2019 LKR. Mn	2018 (Reclassified) LKR. Mn
Revenue	20	184,097.04	164,638.92	180,340.32	161,433.87
Expenditure					
Aircraft Fuel Cost		(60,672.78)	(47,037.86)	(60,672.78)	(47,037.86)
Employee Cost		(21,927.63)	(20,868.51)	(20,368.42)	(19,454.25)
Airport, Enroute and Passenger Expenses		(25,813.06)	(25,240.22)	(29,779.59)	(28,659.44)
Rentals on Leased Aircraft		(29,099.13)	(25,726.29)	(29,099.13)	(25,726.29)
Aircraft Maintenance and Overhaul Costs		(26,953.28)	(22,829.07)	(26,953.28)	(22,829.07)
Depreciation/Amortisation		(1,862.00)	(1,976.04)	(1,643.67)	(1,779.49)
Selling, Marketing and Advertising Expenses		(15,785.68)	(15,633.55)	(15,775.49)	(15,633.55)
Crew Expenses		(6,581.52)	(6,035.58)	(6,581.52)	(6,035.58)
Other Operating Expenses	22.1	(16,298.17)	(7,871.38)	(15,056.56)	(6,710.98)
Exchange Loss		(10,732.40)	(1,815.64)	(11,805.18)	(2,017.34)
Operating Loss	22	(31,628.61)	(10,395.22)	(37,395.30)	(14,449.98)
Other Income and Gains	21	952.19	570.14	4,222.74	5,875.58
Finance Income	23.1	128.61	200.62	89.72	180.99
Finance Cost	23.2	(11,079.10)	(8,954.77)	(10,939.83)	(8,820.16)
Loss Before Taxation		(41,626.91)	(18,579.23)	(44,022.67)	(17,213.57)
Income Tax Expense	24	(73.42)	(5.92)	-	-
Loss for the Year		(41,700.33)	(18,585.15)	(44,022.67)	(17,213.57)

The Accounting Policies and Notes on pages 61 through 106 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Loss for the Year		(41,700.33)	(18,585.15)	(44,022.67)	(17,213.57)
Other Comprehensive Income / (Loss)					
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):					
Actuarial Gain/(Loss) on Retirement Benefit Obligation	16.2	25.92	384.44	29.10	372.53
Revaluation of Property Plant and Equipment		602.82	616.81	-	616.81
Deferred tax liability on revalued assets		(90.90)	-	-	-
		537.84	1,001.25	29.10	989.34
Other comprehensive income / (loss) will be reclassified to profit or loss in subsequent periods (net of tax):					
Net Movement on Cash flow hedge		(1,366.32)	(205.47)	(1,366.32)	(205.47)
		(1,366.32)	(205.47)	(1,366.32)	(205.47)
Total Other Comprehensive Income/(Loss) for the Year, Net of Tax		(828.48)	795.78	(1,337.22)	783.87
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(42,528.81)	(17,789.37)	(45,359.89)	(16,429.70)

The Accounting Policies and Notes on pages 61 through 106 form an integral part of these Financial Statements.

Statement of Changes in Equity

GROUP Year ended 31 March	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 31 March 2017	51,617.44	4,336.99	(127.63)	(163,620.32)	(107,793.52)
Reversal of surplus on revaluation due to disposal during the year	-	(0.32)	-	0.32	-
Loss for the year	-	-	-	(18,585.15)	(18,585.15)
Other Comprehensive Income	-	616.81	(205.47)	384.44	795.78
Total Comprehensive Income / (Loss)	-	616.81	(205.47)	(18,200.71)	(17,789.37)
Balance as at 31 March 2018	51,617.44	4,953.48	(333.10)	(181,820.71)	(125,582.89)
Reversal of surplus on revaluation due to disposal during the year	-	(6.39)	-	6.39	-
Loss for the year	-	-	-	(41,700.33)	(41,700.33)
Other Comprehensive Income	-	602.82	(1,366.32)	25.92	(737.58)
Deferred Tax Liability	-	(90.90)	-	-	(90.90)
Total Comprehensive Income / (Loss)	-	511.92	(1,366.32)	(41,674.41)	(42,528.81)
Balance as at 31 March 2019	51,617.44	5,459.01	(1,699.42)	(223,488.73)	(168,111.70)

COMPANY Year ended 31 March	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 31 March 2017	51,617.44	2,499.01	(127.63)	(169,755.46)	(115,766.64)
Loss for the year	-	-	-	(17,213.57)	(17,213.57)
Other Comprehensive Income	-	616.81	(205.47)	372.53	783.87
Total Comprehensive Income / (Loss)	-	616.81	(205.47)	(16,841.04)	(16,429.70)
Balance as at 31 March 2018	51,617.44	3,115.82	(333.10)	(186,596.50)	(132,196.34)
Loss for the year	-	-	-	(44,022.67)	(44,022.67)
Other Comprehensive Income	-	-	(1,366.32)	29.10	(1,337.22)
Total Comprehensive Income / (Loss)	-	-	(1,366.32)	(43,993.57)	(45,359.89)
Balance as at 31 March 2019	51,617.44	3,115.82	(1,699.42)	(230,590.07)	(177,556.23)

The Accounting Policies and Notes on pages 61 through 106 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March	Note	Group		Company	
		2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Cash Flows From/(Used in) Operating Activities					
Loss before Income Tax Expense		(41,626.91)	(18,579.23)	(44,022.67)	(17,213.57)
Adjustments for					
Depreciation / Amortisation / Impairment		1,868.40	1,987.28	1,643.67	1,779.49
Finance Cost	23.2	11,079.10	8,954.77	10,939.83	8,820.16
Loss/ (Gain) on Disposal of Property, Plant and Equipment and Intangible Assets		(2.29)	14.41	(3.41)	14.14
Finance Income	23.1	(128.61)	(200.62)	(89.72)	(180.99)
Provision for Impairment of Receivables	10.2	327.83	172.92	319.79	172.92
Provision for Slow Moving Inventory	9.1	214.47	251.60	223.32	251.60
Provision for Impairment of Maintenance Reserve	6.2	4,797.17	3,948.95	4,797.17	3,948.95
Effect on Unrealised Exchange Loss		11,223.41	976.32	12,009.62	807.18
Write Back of Sales in Advance		(1,342.87)	(1,628.86)	(1,342.87)	(1,628.89)
Provision for Gratuity	16.2	891.80	1,028.16	807.74	939.80
Operating Loss before Working Capital Changes		(12,698.50)	(3,074.30)	(14,717.53)	(2,289.21)
Decrease/(Increase) in Inventories		(650.04)	(504.91)	(651.67)	(457.54)
Increase in Sales in Advance of Carriage		3,022.23	6,479.19	3,022.23	6,479.19
(Increase) Decrease in Trade and Other Receivables		(3,080.26)	(3,171.90)	(3,007.90)	(3,102.50)
Increase/(Decrease) in Trade and Other Payables		35,858.47	5,982.62	37,074.78	4,692.92
(Increase)/Decrease in Maintenance Reserves		(7,194.00)	(7,464.64)	(7,194.00)	(7,464.64)
Increase in Aircraft Security Deposits		(109.55)	(60.87)	(109.55)	(60.87)
Cash Generated From/ (Used in) Operations		15,148.35	(1,814.81)	14,416.36	(2,202.65)
Finance Cost Paid		(11,088.21)	(8,891.94)	(10,948.93)	(8,757.33)
Gratuity Paid	16.2	(721.06)	(502.10)	(664.92)	(449.16)
Income Tax Paid		(16.09)	-	-	-
Net Cash flows Used in Operating Activities		3,322.99	(11,208.85)	2,802.51	(11,409.14)
Cash Flows From/(Used in) Investing Activities					
Interest Received		108.93	176.52	73.68	165.26
Acquisition of Property, Plant and Equipment		(1,040.34)	(1,566.90)	(940.02)	(1,295.98)
(Investment)/ Realisation of Short Term Investment		(88.22)	(419.78)	79.78	(267.78)
Acquisition of Intangible Assets		(51.93)	(106.96)	(50.88)	(84.00)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		5.01	1.26	3.47	1.24
Net Cash Used in Investing Activities		(1,066.55)	(1,915.86)	(833.97)	(1,481.26)
Cash Flows From / (used in) Financing Activities					
Repayment of Interest Bearing Liabilities		(9,261.10)	(8,236.44)	(9,143.78)	(8,182.68)
Proceeds from Interest Bearing Loans and Borrowings		-	27,226.48	-	27,008.03
Net Cash from/ (used in) in Financing Activities		(9,261.10)	18,990.04	(9,143.78)	18,825.35
Net Increase/(Decrease) in Cash and Cash Equivalents		(7,004.66)	5,865.33	(7,175.24)	5,934.95
Cash and Cash Equivalents at the beginning of the year	11	84.44	(5,780.89)	(275.97)	(6,210.92)
Cash and Cash Equivalents at the end of the year	11	(6,920.22)	84.44	(7,451.21)	(275.97)

The Accounting Policies and Notes on pages 61 through 106 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Company

SriLankan Airlines Limited (“the Company”) is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.

1.2 Principal Activities and Nature of Operations

Company

The principal activities of the Company consist of operating international scheduled, non-scheduled air services for the carriage of passengers, freight and mail as the designated carrier of Sri Lanka. Providing Air Terminal services at the Bandaranaike International Airport (“BIA”) and Mattala Rajapaksa International Airport (“MRIA”), sale of duty free goods on-board, marketing inbound and outbound holiday packages constitute other main activities. Providing third party aircraft maintenance, flight operation services and conducting aviation related trainings constitute ancillary activities of the Company.

Subsidiary – SriLankan Catering Limited

The principal activity of SriLankan Catering Limited (“the Subsidiary”) is to provide in-flight catering services to airlines operating through BIA and MRJA. Other ancillary activities consist of operating public and transit restaurants, provision of laundry services and managing the transit hotel.

1.3 Date of Authorisation for Issue

The financial statements for the year ended 31 March 2019 were authorised for issue by the Board of Directors on the 17 September 2019.

2. GENERAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Company and the Group have been prepared on an accrual basis and under historical cost convention, except for land and buildings and Flight Kitchen Equipment that has been measured at fair value.

This is the first set of the Financial Statements in which SLFRS 9 – “Financial Instruments” and SLFRS 15 – “Revenue from Contracts with Customers” have been applied. Changes to significant accounting policies are described in Note 2.3.1.

All values are presented in Sri Lankan Rupees and rounded to the nearest Million, except when otherwise indicated.

2.1.1 Statement of Compliance

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Financial Statements contd.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

2.3.1 Changes in Accounting Policies

The Group has initially applied SLFRS 15 and SLFRS 9 from 1 April 2018, except for these changes, the Group has consistently applied the accounting policies to all periods presented in these Financial Statements. Due to the transition methods chosen by the Group in applying these standards certain comparative amounts in the Statements of Profit or Loss and Other Comprehensive Income have been reclassified to reflect the requirements of the new standards.

Except for the changes below, the Company has consistently applied the accounting policies as set out below to all periods presented in these Financial Statements.

2.3.1.1 SLFRS 9 – “Financial Instruments”

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 “Financial Instruments: Recognition and Measurement”. The requirements of SLFRS 9 represent a significant change from LKAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous LKAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

SLFRS 9 replaces the ‘incurred loss’ model in LKAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

Transition and the Impact of adopting SLFRS 9 – “Financial Instruments”

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group and the Company.

Following table depicts the original measurement categories under LKAS 39 – “Financial Instruments: Recognition and Measurement” and the new measurement categories under SLFRS 9 – “Financial Instruments” for each class of the Group’s financial assets and financial liabilities as at respective reporting period.

	LKAS 39 Classification 31 March 2018	SLFRS 9 Classification 01 April 2018
Assets		
Trade and Other Receivables	L&R	AC
Aircraft Maintenance Reserve	L&R	AC
Aircraft and Spare Engine Deposits	L&R	AC
Investments	L&R	AC
Cash and Bank Balances	L&R	AC
Liabilities		
Interest Bearing Loans and Borrowings	AC	AC
Preference Shares	AC	AC
Provision for Aircraft Maintenance and Overhaul Cost	AC	AC
Trade and Other Payables	AC	AC

*L&R – Loans and Receivables

*AC – Amortised Cost

The impact on classification and measurement of Financial Assets due to the adoption of SLFRS 9 is disclosed in Note 19.

Based on the assessment on the impairment of Financial Assets, the effect of adopting SLFRS 9 is insignificant.

2.3.1.2 SLFRS 15 – “Revenue from Contracts with Customers”

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Transition and the Impact of adopting SLFRS 15 – “Revenue from Contracts with Customers”

The following table summarises the reclassification impacts of adopting

SLFRS 15 on Group’s and Company’s comparative statement of profit or loss Other Comprehensive Income for the year ended 31st March 2018 for each of the line items affected.

In LKR. Mn	Group – For the Year Ended 31 March 2018		
	As per previous policy	Effect of change in accounting policy	Adjusted Balance
Revenue	164,859.51	(220.59)	164,638.92
Selling, Marketing and Advertising Expenses	(15,814.59)	181.04	(15,633.55)
Airport, Enroute and Passenger Expenses	(25,248.56)	8.35	(25,240.22)
Employee Cost	(20,897.26)	28.74	(20,868.51)
Other Operating Expenses	(7,873.84)	2.46	(7,871.38)
Total	95,025.26	-	95,025.26
In LKR. Mn	Company – For the Year Ended 31 March 2018		
	As per previous policy	Effect of change in accounting policy	Adjusted Balance
Revenue	161,654.46	(220.59)	161,433.87
Selling, Marketing and Advertising Expenses	(15,814.59)	181.04	(15,633.55)
Airport, Enroute and Passenger Expenses	(28,667.79)	8.35	(28,659.44)
Employee Cost	(19,482.99)	28.74	(19,454.25)
Other Operating Expenses	(6,713.44)	2.46	(6,710.98)
Total	90,975.65	-	90,975.65

The change in accounting policy has no impact on the reported amount of accumulated losses as at 31 March 2018.

Based on the assessment performed, except for the above it was concluded that SLFRS 15 does not have a material impact on the Group’s and Company’s Financial Statements.

2.3.2. Significant Accounting Estimates, Assumptions and Judgments

The preparation of financial statements of the Group require the management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expense and disclosures as at the reporting date. The key judgments, estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements contd.

The following key judgements, estimates and assumptions addresses amongst others that are subjective and have significant effect on the amounts recognised in the financial statements.

(a) Judgements

(i) Going Concern

As disclosed in Note 3 these financial statements have been prepared and presented on a going concern basis.

(ii) Contingent Liabilities – Litigations

The Group has several pending litigations with various parties at the end of the reporting period. The Board of Directors, after due consultation with the Group's legal counsel, assesses the merits of each case and makes necessary provisions when it is determined that there would be a possibility of an outflow of resources in the future.

Where the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the company in respect of legal actions, other claims and potential claims being made against the Group by customers, suppliers and employees, the amounts concerned are disclosed in Note 25.3.

(iii) Finance and Operating Leases

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to Group. In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but not are limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at the price that is expected to be sufficiently lower than the fair

value on exercise date; the lease term is for the major part of economic life of the asset even if the title is not transferred and at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets.

(b) Estimates

(i) Depreciation/Amortisation of Property, Plant and Equipment and Intangible Assets

Management assigns useful lives and residual values to property, plant and equipment and Intangible Assets based on the intended use of assets and the economic lives of these assets. Management reviews the residual values, useful lives and depreciation/amortisation method at each reporting date and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies in these assets. Changes in useful lives and residual values of these assets may result in revision of future depreciation charges. (Refer Policy 2.4.3. (b) and 2.4.4)

(ii) Frequent Flyer Programme

Award credits are accounted for as a separately identifiable component of revenue. The consideration is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the statement of financial position.

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards. Historical trends are used as the basis of the fair value calculations.

Adjustments to the fair value of miles are also made for miles not expected

to be redeemed by members and for expired miles.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles.

(iii) Maintenance Reserve

The Company makes monthly payments to lessors on account of several aircraft and engines which are under operating leases based on agreed terms towards maintenance. These monthly payments are based on the number of hours or cycles flown or passage of time. Periodically management evaluates the recoverability of such payments based on best estimates of the amounts recoverable. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. (Refer Note 6)

(iv) Provision for Aircraft Maintenance and Overhaul Costs

The Company is obligated to carry out heavy maintenance checks on the airframe, engines and landing gears, which are under operating leases based on agreed terms towards maintenance. Provision for heavy maintenance cost is made progressively in the financial statements based on utilisation or time depending on the nature of the overhaul. In arriving at the provision, assumptions are made on the estimated condition of the asset at the time of check, the material and overhead costs to be incurred and the timing of when the check is to be carried out. These assumptions are formed based on past experience, and are regularly reviewed to ensure they approximate to the actual. Any revision in assumptions and estimations that causes a material

effect to the provision would be adjusted prospectively in the financial statements.

(v) Provisions for Air Transportation Services Related Direct Operating Expenses

The operation of air transportation services inevitably involves the making of various provisions on direct expenses, such as fuel, ground handling charges, landing and parking charges, inflight meals, reservation systems booking fees and information technology related expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making provisions for carrying values of liabilities as at the end of the Reporting period.

(vi) Inventories

Company reviews the existence and usability of inventories based on a perpetual inventory count. Provisions are made when Management determines obsolete stock and/or assesses a reduction in recoverable value.

(vii) Impairment of Non-Financial Assets

The Group assesses at each Reporting date whether there is an indication that an asset may be impaired. Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

(viii) Impairment of Financial Assets

The Group assesses, at each Reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Management uses judgment in estimating such

impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

(c) Assumptions

(i) Defined Benefit Plan

The cost of the retirement benefit plan of staff based in Sri Lanka is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, special premium, retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty. (Refer Note 2.4.16)

(ii) Revaluation of Property Plant and Equipment

Land and building and flight kitchen equipment are measured at revalued amounts using the services of an independent qualified valuer. Such valuer uses assumptions and valuation techniques to determine the fair value. The basis of valuation is disclosed in Note 4.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Reporting date. The resultant foreign exchange gains and losses are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign

currency are translated using the exchange rates as at the dates of the initial transactions.

2.4.2 Taxation

(i) Current Income Tax

Company

(a) Local Taxation

Under the provisions of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue (Amendment) Act No. 22 of 2011, the Company was entitled for a tax exemption period of 10 years for all its business activities effective from 1 April 2011 to 31 March 2021. However with the enactment of the Inland Revenue act No 24 of 2017, the Company is liable for income tax for all its business activities with effect from 1 April 2018.

(b) Overseas Taxation

The Company is liable for tax on its overseas operations in countries where there are no double tax treaties at present. However, there is no liability in the current year due to carry forward tax losses available to the Company.

Subsidiary - SriLankan Catering Limited

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The Income from Flight Kitchen and Transit Restaurant is exempted from income tax up to 31 May 2021 as per the agreement with Board of Investment (BOI). The income from other sources are liable at the normal rate.

Notes to the Financial Statements contd.

(ii) Deferred Income Tax

Deferred Income tax is provided using the liability method on temporary differences at the Reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4.3 Property, Plant and Equipment

(a) Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition or construction. Where land and buildings and flight kitchen equipment are subsequently revalued such revalued property, plant and equipment are carried at revalued amounts less any subsequent depreciation thereon and impairment. All other property, plant and equipment are stated at historical cost less depreciation and/or accumulated impairment losses, if any.

Land and buildings and flight kitchen equipment measured at revalued amounts and any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Valuations are performed with an adequate frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as

appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured.

Cost of repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

Property, plant and equipment includes amongst others the following:

(i) Aircraft Rotable Spares

Aircraft rotatable spares, which are treated as tangible assets, are initially recorded at cost and depreciated over the estimated useful life. This item is grouped under "Aircraft Related Equipment".

(ii) Capital Work-in-Progress

Capital work-in-progress is stated at cost which include all costs incurred from the date of acquisition to the date on which it is commissioned. When commissioned, capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

(b) Depreciation

Provision for depreciation is calculated by using a straight line method on cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the following estimated useful lives in equal instalments.

Aircraft Related Equipment	over shorter of 8 years or lease period
Plant & Equipment	over periods ranging from 3 to 10 years based on the type of equipment
Buildings	over the expected useful life ranging from 15 to 50 years
Improvements on Aircraft on operating leases	over shorter of 10 years or lease period

The residual values, useful lives and depreciation method are reviewed at each Reporting date and adjusted prospectively when appropriate.

The depreciation rates stated above are applicable to all periods presented.

(c) De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the reporting period the asset is derecognised.

2.4.4 Intangible Assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably. Accordingly, these assets are stated in the statement

of financial position at cost less accumulated amortisation and any accumulated impairment losses.

The cost of acquisition or development of computer software that is separable from an item of related hardware is capitalised separately and amortised over a period not exceeding 5 years on a straight line basis. The amortisation period and the amortisation method is reviewed at each Reporting date. The carrying value of this asset is reviewed at each Reporting date for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

2.4.5 Leases

(a) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are treated as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users benefit.

Cost incurred on re-configuration of assets under operating leases are capitalised and depreciated over the shorter of the useful life and the remaining lease period. Refer accounting policy 2.4.3.

(b) Finance Leases

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between

finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

Capitalised leased assets are disclosed as property, plant and equipment and depreciated over the period the Group is expected to benefit from the use of the leased assets. Refer accounting policy 2.4.3.

(c) Sale and Leaseback

Profits arising on sale and leaseback transactions which result in operating leases are recognised in the statement of profit or loss immediately to the extent that the sales proceeds do not exceed the fair value of the assets concerned.

2.4.6 Inventories

Inventories consist of Aircraft and Ground Service related stocks, Raw materials and Consumables.

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is the sum of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted Average Cost method is applied in the calculation of cost of inventories. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

2.4.7 Impairment of Non-Financial Assets

The Group assesses at each Reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required

for an asset, the Group makes an assessment of the assets' recoverable amount. When the carrying amount of an asset exceeds its' recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.4.8 Fair Value Measurement

The Group measures its land and buildings and flight kitchen equipment at fair value. Fair value related disclosures are disclosed in the Note 04.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of such assets is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All the assets for which fair value is measured are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Reporting period.

External valuers are involved for valuation of significant assets, such as PPE. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4.9 Financial Instruments

2.4.9.1 Financial Assets

Initial Recognition and Measurement

Policy Applicable from 1 April 2018

Financial Assets are classified as Amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL).

Financial assets (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value. For an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue is considered.

Policy Applicable up to 31 March 2018

Financial assets were recognised on the statement of financial position when, and only when, the Group became a party to the contractual provisions of the financial instrument. Financial assets were classified as Fair Value through Profit or Loss (FVTPL), loans and receivables (L&R), held to maturity investments (HTM) or Available for Sale (AFS) as appropriate. Management determined the classification of its financial assets at initial recognition and the classification depended on the nature of the asset

and the purpose for which the assets were acquired.

All financial assets were recognised initially at fair value.

Subsequent Measurement

Policy Applicable from 1 April 2018

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis.

The Group has Trade and Other Receivables, Aircraft Maintenance Reserve, Aircraft and Spare Engine Deposits, Investments and Cash and Bank Balances classified as Financial Assets subsequently measured at amortised cost.

Policy Applicable up to 31 March 2018

Group's financial assets consisted of loans and receivables.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets were subsequently measured at amortised cost using the effective interest method.

De-recognition

Policy Applicable from 1 April 2018

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

- (i) the consideration received (including any new asset obtained less any new liability assumed) and
- (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in profit or loss.

Policy Applicable up to 31 March 2018

A financial asset was derecognised when:

- The rights to receive cash flows from the asset had expired.
- The Group had transferred its rights to receive cash flows from the asset or had assumed an obligation to pay the received

cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group had transferred substantially all the risks and rewards of the asset, or (b) the Group had neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset.

Impairment of Financial Assets

Policy Applicable from 1 April 2018

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost or at fair value through other comprehensive income.

The Group uses simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) the time value of money; and
- c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Policy Applicable up to 31 March 2018

The Group assessed, at each Reporting date, whether there was any objective evidence that a financial

asset or a group of financial assets was impaired. A financial asset or a group of financial assets was deemed to be impaired if, and only if, there was objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated.

Evidence of impairment may have included indications that the debtors or the group of debtors was experiencing significant financial difficulty, default of the payments, the probability that they would enter bankruptcy or other financial reorganisation and where observable data indicates that there was a measurable decrease in the estimated future cash flows.

If there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows was discounted at the financial asset's original effective interest rate.

The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in the statement of profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account. If a write-off was later recovered, the recovery was credited in the statement of profit or loss.

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2.4.9.2 Financial Liabilities

Initial Recognition and Measurement

Policy Applicable from 1 April 2018

All Financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired; Fair value through profit or loss (FVTPL) or other financial liabilities.

A financial liability is measured initially at fair value. For an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue is considered.

Policy Applicable up to 31 March 2018

Financial liabilities were classified as financial liabilities at fair value through profit or loss, loans and borrowings, other financial liabilities or derivatives designated as hedge instruments constituting an effective hedge as appropriate. The Group determined the classification of its financial liabilities at initial recognition.

All financial liabilities were recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent Measurement

Policy Applicable from 1 April 2018

The Group has Interest Bearing Loans and Borrowings, Provision for Aircraft Maintenance and Overhaul Cost, Trade and Other Payables classified as Financial Liabilities.

Subsequent to initial recognition, financial liabilities are measured at amortised cost.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Policy Applicable up to 31 March 2018

The Group's financial liabilities included Interest Bearing Loans and Borrowings, Provision for Aircraft Maintenance and Overhaul Cost and Trade and Other Payables.

After initial recognition, interest bearing loans and borrowings were subsequently measured at amortised cost using the effective interest method.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.4.9.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4.9.4 Cash Flow Hedge Reserve

The Company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically identified future revenue in foreign currency, through which the Company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates.

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of profit or loss as other operating expenses. Amounts recognised as other comprehensive income are transferred to statement of profit or loss when the hedged transaction occurs (when the forecast revenue realises).

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in equity until the forecast transaction occurs as per the hedge agreement.

2.4.10 Aircraft Maintenance Reserve

Aircraft maintenance reserve consists of payments made to lessors on a monthly basis for the future overhaul of engines, airframes and aircraft components in terms of operating lease agreements. Company recovers the cost incurred on overhauls of engines, airframes and aircraft components (up to the amount already paid to the reserve) from lessors against such reserve on completion of the maintenance event.

2.4.11 Trade and Other Receivables

Trade debtors, including deposits and other debtors (excluding non-financial assets classified under deposits and other receivables which are measured at cost) classified and accounted for as loans and receivable.

2.4.12 Investments

Investment in Subsidiary

In the Company's financial statements, investment in the Subsidiary company has been accounted for at cost, net of any impairment for other than temporary diminution in value.

2.4.13 Short term Investments

Short term Investments are the fixed deposits at Banks with maturity more than three months. Short term investment has been measured at its amortised cost.

2.4.14 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash at bank and in hand, call deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

In the statement of cash flows, cash and cash equivalents consist of cash at bank, cash in hand and call deposits in banks net of outstanding bank overdrafts and restricted cash. Investments with short maturities

(i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest bearing liabilities in the statement of financial position.

2.4.15 Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

(ii) Aircraft Maintenance and Overhaul Costs

The Group recognises aircraft maintenance and overhaul expenses (except aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses) on an incurred basis. Aircraft heavy maintenance, engine overhaul and landing gear overhaul expenses are accounted as specified in Note 2.3.2 (b) (iv). For engine overhaul costs covered by "power by-hour" third-party maintenance agreements, the cost is expensed at an agreed fixed rate per hour over the tenure of the agreement.

2.4.16 Retirement Benefit Obligation

(a) Defined Benefit Plan-Gratuity

Gratuity is a defined benefit plan, the Company and its Subsidiary are liable to pay in terms of the relevant statute.

The Group measures the present value of the defined benefit plan with the advice of an Actuary every year using the Projected Unit Credit method except for overseas stations where the same is estimated based on the applicable legislation.

The Group recognises the actuarial gain/loss arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in the statement of profit or loss.

The gratuity liability is not externally funded. This item is grouped under "Other Long-term Liabilities" in the statement of financial position. Overseas-based employees are covered under social security schemes applicable in their host countries.

(b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund.

Employees based in Sri Lanka are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 15% and 3% of gross emoluments to Employees' Provident Fund and Employees' Trust Fund whilst the Subsidiary contributes 12% and 3% respectively.

2.4.17 Frequent Flyer Programme

Company operates a frequent flyer programme 'FlySmiLes' that provides travel awards to members of the program based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferral of the revenue is estimated based on historical trends of redemption, which is then used to project the expected utilisation of these benefits. The fair value of credits awarded is estimated

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by reference to the weighted average value of the services for which the award credits may be redeemed. These estimates are reviewed at each Reporting date and the liability is adjusted accordingly. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

2.4.18 Revenue Recognition

Policy applicable from 1 April 2018

The Group recognises revenue based on a five-step model on revenue arising from contracts with customers.

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Except for the reclassifications as depicted in transition Note 2.3.1.2, the same policy applies as prior to 1 April 2018.

Policy applicable up to 31 March 2018

Revenue was recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment was being made. Revenue was measured at the fair value of the consideration received or receivable.

(a) Airline Revenue

Revenue is generated principally from the carriage of passengers, cargo, excess baggage and mail, rendering of airport terminal services, engineering services, air charters and related activities.

(i) Passenger, cargo, excess baggage sales and other related fees are recognised as operating revenue when the transportation/ facility is provided.

(ii) The value of unused tickets and airway bills is included in current liabilities as sales in advance of carriage. The value of unused tickets and airway bills are recognised as revenue if they remain unutilised and expire after one year.

(iii) Revenue from the provision of airport terminal services is recognised upon rendering of services.

(iv) Revenue from provision of third party maintenance services is recognised upon completion of such event.

(v) Revenue from the provision of flight operation services is recognised upon rendering of services.

(b) Revenue from Airline catering services

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added sales taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods and continuing management involvement with the goods.

(c) Dividend income

Dividend income is accounted for when the shareholders' right to receive the payment is established.

(d) Rental income

Rental income is recognised on an accrual basis.

(e) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest method.

(f) Other income

Other income is recognised on an accrual basis.

2.4.19 Expenditure Recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of profit or loss. For the purpose of presentation of the statement of profit or loss, the "nature of expenses" method has been adopted, on the basis that it presents fairly the elements of the Group's performance.

2.4.20 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

2.4.21 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing services within a particular economic environment which is subject to risks and rewards that are different from those of other segments.

Primary segments are determined based on the geographical spread of operations as the Group's risks and rate of return are predominantly affected by the fact that it operates in different countries. The analysis of turnover by origin of sale is derived by allocating revenue to the area in which the sale was made. Expenses that cannot be directly identifiable to a particular segment are not segregated and disclosed.

Management considers that there is no suitable basis for allocating assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment are not disclosed.

The secondary reporting by business segment is based on the nature of services provided by the Group. The Group is engaged in two main business segments - Air transportation and in-flight catering services through its Subsidiary.

2.5 New Accounting Standards issued but not yet effective as at Reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards. However these standards have not been applied in preparing these financial statements.

None of those have been early adopted by the Group.

SLFRS 16 – Leases

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance Sheet finance leases and off-balance Sheet operating leases. Instead there will be a single on-balance Sheet accounting model that is similar to current finance lease accounting.

Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases, unless the term is less than 12 months or the underlying asset is of low value. SLFRS 16 will primarily affect the Company's accounting as a lessee of leases for aircraft, land & buildings and equipment which are currently classified as operating leases.

SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

The company has completed an internal assessment of the potential impact on its Financial Statements, resulting from the application of SLFRS 16. Pursuant to the initial assessment, the company intends to adopt SLFRS 16 using the modified retrospective approach and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 without restating the comparative information.

As at the Reporting date, the Company has non-cancellable operating lease commitments amounting to LKR. 228,178.19 Mn. The Company expects a large proportion of these operating leases to be recognised as lease liabilities with corresponding ROU assets under the new standard. This will increase the Company's leverage ratio and its foreign exchange volatility arising from revaluation of lease liabilities that are denominated in foreign currency. There will also be an impact on the timing of expense recognition in the profit and loss account over the period of lease. Interest expense will be recognised using the effective interest method on outstanding lease liabilities and the ROU assets will be depreciated, rather than operating lease payments being the expense.

The internal assessment on the impact of SLFRS 16 is expected to lead to a material increase in both assets and liabilities as at 1 April 2019. Based on information currently available, excluding the impact from Impairment, the total estimated impact as at 1 April 2019 (transition date) on adoption of SLFRS 16 which is yet to be audited, is expected to be LKR. 177,875.17 Mn on assets and LKR. 176,258.94 Mn on liabilities and the difference arising from the same will be reflected under Trade and Other Receivables. The Company intends to carry out further detail assessments with the assistance of expert financial advisors to determine the final impact of SLFRS 16 including the impact of impairment, if any.

The adoption of SLFRS 16 will have no impact on the Company's cash flows. The actual impact upon the initial adoption of this standard however may differ as the assessment completed to date is based on the information currently available to the Company, and further impacts may be identified before the standard is initially applied in the Group's financial report for the year ending 31 March 2020. The Company may also change its accounting policy elections, including the transition options, when the standard is initially applied.

The Group does not expect significant impact on the financial statements resulting from the application of SLFRS 16 on SriLankan Catering Limited.

3. Going Concern

During the current year the Company recorded a loss of LKR. 44,022.67 Mn (2018 - LKR. 17,213.57 Mn) with an accumulated loss of LKR. 230,590.07 Mn (2018 - LKR. 186,596.50 Mn) as at 31 March 2019. Further, the Company's

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current liabilities exceeded its current assets by LKR. 186,339.26 Mn (2018 - LKR. 100,268.11 Mn) and the total equity of the Company as at Reporting date has declined to a negative LKR. 177,556.23 Mn (2018 - negative LKR. 132,196.34 Mn).

The Group recorded a loss of LKR. 41,700.33 Mn (2018 - LKR. 18,585.15 Mn) with an accumulated loss of LKR. 223,488.73 Mn (2018 - LKR. 181,820.71 Mn) as at 31 March 2019. Further, the Group's current liabilities exceeded its current assets by LKR. 177,725.40 Mn (2018 - LKR. 94,205.97 Mn) and the total equity of the Group as at Reporting date has declined to a negative LKR. 168,111.70 Mn (2018 - negative LKR. 125,582.89 Mn).

The Company's net assets are less than half of its stated capital and face a serious loss of capital. Therefore the Company conducted an Extraordinary General Meeting (EGM) on 25th June 2019 (in addition to two previous EGM's held for the same purpose) and discussed the proposals presented by the Directors in accordance with Companies Act. No.07 of 2007 Section 220.

The Restructuring of SriLankan Airlines has progressed internally, and externally with support of the main shareholder, the Government of Sri Lanka (GOSL). The main steps taken by the GOSL in this regard during the year under review included the appointment of an Expert Committee in January 2019 by His Excellency the President on the Restructuring of SriLankan Airlines. The recommendations made by the Committee has been approved by the Cabinet and a significant item is that GOSL will continue its effort to attract an investor/ joint venture partner with

a view to establishing a Public Private Partnership (PPP). This is expected to include the infusion of much needed equity capital in order to improve the negative net worth of the Company.

The internal restructuring process which was in progress, was enhanced with the appointment of a new Board of Directors and a Chief Executive Officer during the year under review. A new Business plan including renegotiation with Airbus on the pre delivery payments made for four Airbus A350-900 aircraft as detailed in Note 5 to the financial statements was prepared and presented to the Board during the year under review which was later modified taking into account the negative effects of the unfortunate incidents that occurred on 21st April 2019. The Business plan which has been developed internally, focusses on achieving three key objectives- a profitable and sustainable company, an airline of choice for its customers and achieving operational excellence. The profitable and sustainable aspect consist of optimising the route network, effective capacity deployment and fleet planning, growth in online sales and ancillary revenue, maximising the contribution from strategic business units and the development of efficient cost structures and human resources. Being an airline of choice include plans to revive the brand "SriLankan" by enhancing the overall customer experience and marketing the destination -Sri Lanka. Operational excellence includes improved procedures and policies that deliver the highest level of safety and punctuality, maintaining a fleet that delivers a cost-effective operation of the network and a digital transformation of the business in line with the new technologies in the industry.

The GOSL continued to support the Company and during the year under review, has approved the re-issuance of all Letters of Comfort that expired during the period amounting to USD 200 million and LKR. 26.25 billion, in favour of two state banks in order to continue with the provision of short-term loan facilities. The GOSL also re-issued a sovereign guarantee in June 2019 which enabled the company to refinance an international bond that matured on 27th June 2019. Further, the GOSL by way of a Cabinet approval dated 27 August 2019. has confirmed that the GOSL will continue to extend the required financial support to the Company to continue its operations as "Going Concern" until the implementation of the proposed restructuring process is completed.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Operating Leases	Aircraft Related Equipment	Leasehold Plant & Equipment	Advances/ Capital Work- in-Progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/ Revaluation							
Balance as at 01 April 2018	4,444.75	8,627.10	2,291.92	8,972.10	3,098.22	211.80	27,645.89
Acquisitions/Modifications/ Improvements	113.46	404.84	-	532.66	-	18.89	1,069.85
Revaluation	(142.25)	(225.95)	-	-	-	-	(368.20)
Transferred from WIP	139.88	(1.86)	-	-	-	(218.87)	(80.85)
Adjustments	-	51.32	(5.36)	1.78	0.43	-	48.17
Reclassifications	-	515.71	-	-	(515.71)	-	-
Disposals/Retirements	-	(110.02)	(67.73)	(56.81)	-	-	(234.56)
Balance as at 31 March 2019	4,555.84	9,261.14	2,218.83	9,449.73	2,582.94	11.82	28,080.30
Accumulated Depreciation							
Balance as at 01 April 2018	213.26	6,204.27	1,973.06	7,031.08	1,876.00	-	17,297.67
Charge for the Year	264.78	603.68	88.29	470.04	294.39	-	1,721.18
Revaluation	(164.64)	(806.38)	-	-	-	-	(971.02)
Reclassifications	-	44.02	-	-	-	-	44.02
Adjustments	-	515.71	-	-	(515.71)	-	-
Disposals/Retirements	-	(108.91)	(67.73)	(56.81)	-	-	(233.45)
Balance as at 31 March 2019	313.40	6,452.39	1,993.62	7,444.31	1,654.68	-	17,858.40
Net Book Value as at 31 March 2019	4,242.44	2,808.75	225.21	2,005.42	928.26	11.82	10,221.90
Net Book Value as at 31 March 2018	4,231.49	2,422.83	318.86	1,941.02	1,222.22	211.80	10,348.22

Notes to the Financial Statements contd.

4. PROPERTY, PLANT AND EQUIPMENT (Contd.)

4.2 (a) The Fair Value of the land and buildings of the Company were determined by means of a revaluation carried out by Ranjan J Samarakone (A.I.V Sri Lanka – Corporate Valuer) during the financial year ended 31 March 2018 and the Fair Value of the land and buildings and the flight kitchen equipment of the Subsidiary were determined by G H A P K Fernando, incorporated valuer of the Institute of Valuers (Sri Lanka) as at 31 March, 2019.

Details of Group's land, building and other plant and equipment stated at valuation are indicated below;

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs	Level of Fair value Hierarchy
Land - Colombo	Open Market value method	31-Mar-18	Estimated price per perch LKR. 18 Mn		
Buildings - Colombo / Katunayake	Depreciated Replacement Cost	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50		
Subsidiary					
Buildings - Katunayake	Income Approach	31-Mar-19	Estimated price per square LKR. 4,000- LKR. 16,000	Positively correlated sensitivity	Level 3
Flight Kitchen Equipment included under Plant and Equipment - Katunayake	Depreciated Replacement Cost	31-Mar-19	Fair value was derived using the Net Replacement Cost (NRC) approach for each equipment		

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2019	Net Carrying Amount 2018
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and Buildings	3,002.05	1,901.80	1,100.25	1,454.86
Plant and Equipment	2,274.25	2,009.74	264.51	264.43

(b) During the year, the Group acquired property, plant and equipment to the aggregate value of LKR. 1,069.85 Mn (2018 - LKR. 1,675.75 Mn). Cash payments amounting to LKR. 1,040.34 Mn (2018 -LKR. 1,566.90 Mn) were made during the year to acquire property, plant and equipment.

(c) Group Property, plant and equipment includes fully depreciated assets having a gross carrying amount of LKR. 11,951.10 Mn (2018- LKR. 10,588 .66 Mn).

4.3 Company

	Land and Buildings	Plant & Equipment	Improvements to Aircraft on Operating Leases	Aircraft Related Equipment	Leasehold Plant & Equipment	Advances/ Capital Work-in-Progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost/Revaluation							
Balance as at 01 April 2018	2,822.58	7,327.29	2,291.92	8,972.10	3,098.22	139.88	24,651.99
Acquisitions/Modifications/Improvements	27.89	329.63	-	532.66	-	-	890.18
Transferred from WIP	139.88	-	-	-	-	(139.88)	-
Adjustments	-	49.72	(5.36)	1.78	0.43	-	46.57
Reclassifications	-	515.71	-	-	(515.71)	-	-
Disposals/Retirements	-	(100.88)	(67.73)	(56.81)	-	-	(225.42)
Balance as at 31 March 2019	2,990.35	8,121.47	2,218.83	9,449.73	2,582.94	-	25,363.32
Accumulated Depreciation							
Balance as at 01 April 2018	93.65	5,523.22	1,973.06	7,031.08	1,876.00	-	16,497.01
Charge for the Year	219.76	434.70	88.29	470.04	294.39	-	1,507.18
Adjustments	-	42.30	-	-	-	-	42.30
Reclassifications	-	515.71	-	-	(515.71)	-	-
Disposals/Retirements	-	(100.82)	(67.73)	(56.81)	-	-	(225.36)
Balance as at 31 March 2019	313.41	6,415.11	1,993.62	7,444.31	1,654.68	-	17,821.13
Net Book Value as at 31 March 2019	2,676.94	1,706.36	225.21	2,005.42	928.26	-	7,542.19
Net Book Value as at 31 March 2018	2,728.93	1,804.07	318.86	1,941.02	1,222.22	139.88	8,154.98

4.4 a) The fair value of the Company's Land and Buildings was determined by means of a revaluation by Ranjan. J Samarakone (A.I.V.Sri Lanka – Corporate Valuer) an independent valuer during the financial year ended 31 March 2018. The results of such revaluation were incorporated in the Financial Statements effective from 31 March 2018.

Details of Company's land and buildings stated at valuation are indicated below;

Asset	Method of Valuation	Effective date of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs	Level of fair value hierarchy
Land - Colombo	Open Market	31-Mar-18	Estimated price per perch LKR. 18 Mn	Positively correlated sensitivity	Level 3
Buildings - Colombo / Katunayake	Depreciated replacement cost	31-Mar-18	Estimated price per square foot LKR. 643.47- LKR. 8,092.50		

Notes to the Financial Statements contd.

4. PROPERTY, PLANT AND EQUIPMENT (Contd.)

4.3 Company Contd.

- b) The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2019	Net Carrying Amount 2018
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Land and buildings	1,239.49	868.40	371.09	411.13

- c) During the year, the Company acquired property, plant and equipment to the aggregate value of LKR. 890.18 Mn (2018 - LKR. 1,403.96 Mn). Cash payments amounting to LKR. 940.02 Mn (2018 - LKR. 1,295.98 Mn) were made during the year to acquire property, plant and equipment.
- d) Property, plant and equipment of the Company includes fully depreciated assets having a gross carrying amount of LKR. 11,576.10 Mn (2018 - LKR. 10,233.31 Mn).

5. AIRCRAFT PREDELIVERY PAYMENTS

Predelivery payments as at the Reporting date consists of predelivery payments made for four Airbus A350-900 aircraft to be delivered in 2020 and 2021 amounting to LKR. 2,528.12 Mn (USD 19.21 Mn). The Company has informed Airbus on the requirement to revisit the Purchase Agreement for the four A350-900 aircraft and as at the Reporting date there is an amount of USD 129.78 Mn as unpaid predelivery payments to Airbus. The Company has been in discussion with Airbus and subsequent to the discussion, Airbus has submitted their proposal for amending the said Purchase Agreement with A321 NEOs and or A330 NEOs which is under discussion at present. Accordingly, the Board does not anticipate a loss of the predelivery payments or penalties arising from the renegotiation.

6. AIRCRAFT MAINTENANCE RESERVE

Group / Company	2019 LKR. Mn	2018 LKR. Mn
Balance as at 01 April	34,517.81	26,432.40
Payments	11,819.73	10,247.45
Write off	(1,844.10)	(656.17)
Recoveries	(4,625.72)	(2,272.72)
Exchange Gain	4,639.70	766.85
	44,507.42	34,517.81
Less: Provision for impairment (Note 6.2)	(10,779.18)	(7,567.00)
Net Recoverable Balance as at 31 March (Note 6.1)	33,728.24	26,950.81

6.1 Current/ Non Current Classification

	Gross LKR. Mn	Provision for impairment LKR. Mn	Net LKR. Mn	Amount Recoverable within one year LKR. Mn	Amount Recoverable after one year LKR. Mn
Balance as at 31 March 2019	44,507.42	(10,779.18)	33,728.24	13,747.07	19,981.17
Balance as at 31 March 2018	34,517.81	(7,567.00)	26,950.81	6,226.64	20,724.17

6.2 Movement of Provision for impairment

	2019 LKR. Mn	2018 LKR. Mn
Balance as at 1 April	7,567.00	11,795.10
Charged during the year	4,797.17	4,459.04
Write off	(1,844.09)	(656.17)
Adjustments*	(907.42)	(8,336.69)
Exchange Loss	1,166.52	305.72
Balance as at 31 March	10,779.18	7,567.00

* Adjustments for the year ended 31 March 2019 represents the reversal of provision for impairment in Maintenance Reserves due to changes in certain scheduled overhauls events. (Adjustments for the year ended 31 March 2018 represents the reversal of provision for impairment in Maintenance Reserve due to the extension of four Aircraft Lease agreements). The related provision for the same is reflected in provision for future Aircraft Maintenance and Overhaul cost is given under Note 16.

7. INTANGIBLE ASSETS

Computer Software	Group			Company		
	Software	Capital work-in-progress	Total	Software	Capital work-in-progress	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Cost						
Balance as at 01 April 2018	1,371.77	12.09	1,383.86	1,287.01	12.09	1,299.10
Acquisitions/Modifications/Improvements	9.98	20.92	30.90	8.92	20.92	29.84
Transferred from WIP	5.27	(5.27)	-	5.27	(5.27)	-
Balance as at 31 March 2019	1,387.02	27.74	1,414.76	1,301.20	27.74	1,328.94
Accumulated Amortisation						
Balance as at 01 April 2018	1,135.56	-	1,135.56	1,092.93	-	1,092.93
Charge for the Year	147.22	-	147.22	136.50	-	136.50
Balance as at 31 March 2019	1,282.78	-	1,282.78	1,229.43	-	1,229.43
Net Book Value as at 31 March 2019	104.24	27.74	131.98	71.77	27.74	99.51
Net Book Value as at 31 March 2018	236.21	12.09	248.30	194.08	12.09	206.17

As at the Reporting date Intangible Assets of the Group and Company include fully amortised assets having a gross carrying amount of LKR. 1,122.69 Mn and LKR. 1,087.83 Mn (2018 - LKR. 510.70 Mn and LKR. 479.96 Mn) respectively.

Notes to the Financial Statements contd.

8. INVESTMENTS

Non- Current Investments	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Investments in Subsidiary in Sri Lanka				
- SriLankan Catering Limited (940,268,456 shares, 100% holding) (Directors' Valuation based on Net Asset Value LKR. 9.49 Bn (2018 -LKR. 6.66 Bn)	-	-	42.24	42.24
- Air Lanka (Private) Limited (40,000 Shares) *	0.40	0.40	0.20	0.20
	0.40	0.40	42.44	42.44

* 50% of Share Capital of Air Lanka (Private) Limited is held by the Company and the remaining 50% is held by the Subsidiary Company.

Air Lanka (Private) Limited is a dormant Company since inception and has not been consolidated due to immateriality.

8.1. Current Investments

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Fixed Deposits at Bank	922.45	749.96	590.45	589.59

9. INVENTORIES

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Engineering related stock	6,179.33	5,631.08	6,179.33	5,631.08
Ground Service related stock	493.56	474.15	493.56	474.15
Raw materials and Consumables	890.63	846.41	539.56	493.70
	7,563.52	6,951.64	7,212.45	6,598.93
Less: Provision for Slow moving stock (Note 9.1)	(2,371.97)	(2,195.66)	(2,362.58)	(2,177.42)
	5,191.55	4,755.98	4,849.87	4,421.51

9.1 Provision for Slow Moving Stock

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Balance as at 01 April	(2,195.66)	(1,997.20)	(2,177.42)	(1,978.96)
Provision made during the year	(214.47)	(251.60)	(223.32)	(251.60)
Written off during the year	38.16	53.14	38.16	53.14
Balance as at 31 March	(2,371.97)	(2,195.66)	(2,362.58)	(2,177.42)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Trade Receivables	17,999.61	15,332.07	17,208.05	14,569.81
Less: Provision for Impairment of Trade Receivables (Note 10.2)	(1,646.55)	(1,152.02)	(1,585.23)	(1,098.74)
	16,353.06	14,180.05	15,622.82	13,471.07
Other Debtors	5.13	84.95	5.13	84.95
Deposits, Advances and Prepayments	4,183.53	3,936.67	3,908.64	3,699.17
	20,541.72	18,201.67	19,536.59	17,255.19
Loans and Advances to Company Officers	62.59	64.84	33.80	41.72
	20,604.31	18,266.51	19,570.39	17,296.91

Trade receivables are non-interest bearing and are generally on 30 days credit term.

10.1 As at 31 March the Ageing Analysis of Trade Receivables is as follows :

As at 31 March 2019, Trade receivables amounting to LKR. 1,646.55 Mn. related to Group and LKR. 1,585.23 Mn. related to Company were impaired and fully provided for. Refer below Note 10.2 for the movement in provision for impairment of trade receivables.

Balances as at 31 March 2019	Total LKR. Mn	Neither Past due nor impaired LKR. Mn	Past Due and impaired				
			30-60 LKR. Mn	61-90 LKR. Mn	91-180 LKR. Mn	181-365 LKR. Mn	>365 LKR. Mn
Company							
Trade Receivables	17,208.05	14,024.47	473.18	354.88	679.12	760.99	915.40
Less: Provision for Impairment of Trade Receivables (Note 10.2)	(1,585.23)	-	(44.72)	(5.38)	(26.28)	(593.44)	(915.40)
	15,622.82	14,024.47	428.46	349.50	652.84	167.55	-
Group							
Trade Receivables	17,999.61	14,428.59	657.04	450.93	728.52	760.99	973.53
Less: Provision for Impairment of Trade Receivables (Note 10.2)	(1,646.55)	-	(44.72)	(5.38)	(26.28)	(596.63)	(973.53)
	16,353.06	14,428.59	612.32	445.55	702.24	164.36	-

10.2 Movement for Provision for Impairment of Trade Receivables

	Group LKR. Mn 2019	Company LKR. Mn 2019
Balance as at 1 April	1,152.02	1,098.74
Provision for the year	327.83	319.79
Exchange Loss	166.70	166.70
Balance as at 31 March	1,646.55	1,585.23

As at Reporting date provision for impairment relating to related parties amounted to LKR. 1,018.10 Mn (2018- LKR. 875.73 Mn).

Notes to the Financial Statements contd.

11. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

Components of Cash and Cash Equivalents	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
11.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	2,212.02	1,841.58	1,681.03	1,481.17
11.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 15)	(9,132.24)	(1,757.14)	(9,132.24)	(1,757.14)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	(6,920.22)	84.44	(7,451.21)	(275.97)

12. STATED CAPITAL

12.1 Issued capital

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
516,174,355 Number of ordinary shares issued and fully paid	51,617.44	51,617.44	51,617.44	51,617.44
As at 31 March	51,617.44	51,617.44	51,617.44	51,617.44

13. RESERVES

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Revaluation Reserve	5,459.01	4,953.48	3,115.82	3,115.82
Cash flow hedge reserve (Note 13.1)	(1,699.42)	(333.10)	(1,699.42)	(333.10)
Balance as at 31 March	3,759.59	4,620.38	1,416.40	2,782.72

13.1 Movement in Cash Flow Hedge Reserve

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Balance as at 1 April	(333.10)	(127.63)	(333.10)	(127.63)
Net Movement of Cash flow Hedge Reserve	(1,366.32)	(205.47)	(1,366.32)	(205.47)
Balance as at 31 March	(1,699.42)	(333.10)	(1,699.42)	(333.10)

14. PREFERENCE SHARES

Subsidiary

Preference shares - Employees' Provident Fund

Non Voting Redeemable Cumulative Preference shares held by Employee Provident Fund are mandatorily redeemable on the date of maturity (16 May 2020). The holder is entitled to a fixed preference dividend of 13.01% per annum.

15. INTEREST BEARING LIABILITIES

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Current Liabilities				
Long-term Loans / Bonds (Note 15.1)	39,843.07	8,310.22	39,719.87	8,201.18
Finance Leases (Note 15.3)	311.71	306.39	311.71	306.39
Short Term Loan	63,749.23	57,365.00	63,749.23	57,365.00
Bank Overdraft	9,132.24	1,757.14	9,132.24	1,757.14
	113,036.25	67,738.75	112,913.05	67,629.71
Non-Current Liabilities				
Long-term Loans / Bonds (Note 15.1)	9,555.83	43,524.13	9,469.23	43,465.21
Finance Leases (Note 15.3)	765.19	1,032.53	765.19	1,032.53
	10,321.02	44,556.66	10,234.42	44,497.74

15.1 Long-term Loans / Bonds

(a) Current /Non Current Classification

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Payable within one year included under Current Liabilities	39,843.07	8,310.22	39,719.87	8,201.18
After one year but not more than five years	9,555.83	43,524.13	9,469.23	43,465.21
	49,398.90	51,834.35	49,189.10	51,666.39

(b) Long-term Loans / Bonds denominated in foreign currencies

Long - term Loans / Bonds - USD denominated	281.46	335.41	280.27	334.33
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(c) Movement in Long-term Loans / Bonds

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Balance as at 01 April	51,834.35	27,506.63	51,666.39	27,506.63
Additions during the year	146.01	26,882.53	-	26,664.08
Payments during the year	(8,940.53)	(3,748.82)	(8,823.21)	(3,695.06)
Unrealised Exchange Loss	6,359.07	1,194.01	6,345.92	1,190.74
Balance as at 31 March	49,398.90	51,834.35	49,189.10	51,666.39

Notes to the Financial Statements contd.

15. INTEREST BEARING LIABILITIES (CONTD)

15.2 Interest Bearing Liabilities - Disclosures

Lender	Balance as at 31 March 2019 LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Repayment at Term	Security
(a) Bank Loans				
Interest linked to LIBOR				
Credit Suisse Bank AG	12,590.62	16,421.81	Monthly instalments ending April, 2021.	Ticket Sales collected by IATA from UAE, Kuwait and Saudi Arabia
Commercial Bank of Ceylon PLC	57.18	98.55	Monthly instalments ending September, 2019.	US\$ 246,318 /- Fixed Deposit
Commercial Bank of Ceylon PLC	-	151.67	Monthly instalments ended July, 2018.	
Amana Bank Limited	63.36	130.68	Monthly instalments ending December, 2021.	Restriction on SLA to sell, lease, alienate or mortgage A320 hanger and simulator building excluding land
Bank of Ceylon	5,720.00	5,056.19	Payment on maturity December, 2019.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	7,480.00	6,611.94	Payment on maturity October, 2019.	Letter of Comfort from Ministry of Finance
Bank of Ceylon	4,400.00	3,889.38	Payment on maturity February, 2020.	Letter of Comfort from Ministry of Finance
Peoples Bank	5,720.00	5,056.19	Payment on maturity December, 2019.	Letter of Comfort from Ministry of Finance
Peoples Bank	7,480.00	6,611.94	Payment on maturity October, 2019.	Letter of Comfort from Ministry of Finance
Peoples Bank	4,400.00	3,889.38	Payment on maturity February, 2020.	Letter of Comfort from Ministry of Finance
Peoples Bank	947.33	-	Payment on maturity February, 2020.	Letter of Comfort from Ministry of Finance
Interest linked to AWPLR				
Bank of Ceylon	12,900.00	12,900.00	Payment on maturity June, 2019.	Letter of Comfort from Ministry of Finance
Peoples Bank	13,350.00	13,350.00	Payment on maturity June, 2019.	Letter of Comfort from Ministry of Finance
Peoples Bank	1,351.90	-	Payment on maturity June, 2019.	Letter of Comfort from Ministry of Finance

(b) International Bond

Fixed Interest Rate

Lender	Balance as at 31 March 2019 LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Repayment at Term	Security
International Bond	30,782.00	27,225.63	Payment on maturity in June 2019	Government Guarantee for USD 175 Mn.

(c) Overdraft Facility

Interest linked to LIBOR				
Lender	Balance as at 31 March 2019 LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Repayment Term	Security
Bank of Ceylon	9,132.24	1,757.14	Revolving	Mortgage over the shares of Subsidiary- SriLankan Catering Limited.

(d) Loans from other institutions

Fixed Interest Rate				
Lender	Balance as at 31 March 2019 LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Repayment Term	Security
Deferred payment arrangement from a supplier	5,695.94	7,985.05	Monthly instalments ending January, 2021.	None

SUBSIDIARY

(e) Bank Loans

Interest Linked to LIBOR				
Lender	Balance as at 31 March 2019 LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Repayment Term	Security
Bank of Ceylon	209.81	167.96	Monthly installments ending November 2019	None

* Interest bearing liabilities denominated in USD were converted to Sri Lankan Rupees at the exchange rate of LKR. 176 (2018 LKR. 155.575) as at 31 March 2019.

15.3 Finance Lease Liability

(a) Current /Non Current Classification

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Payable within one year included under Current Liabilities	311.71	306.39	311.71	306.39
After one year included under Non-Current Liabilities	765.19	1,032.53	765.19	1,032.53
Total lease liabilities as at 31st March	1,076.90	1,338.92	1,076.90	1,338.92

(b) Finance Leases denominated in Foreign Currencies

(In Mn)	Group/ Company	
	2019	2018
Finance Leases - EUR denominated	5.31	6.70
Finance Leases - USD denominated	0.12	0.25

Notes to the Financial Statements contd.

15.3 Finance Lease Liability (contd.)

(c) Movement in Finance Lease Liabilities

Group	Gross Payable	Finance Charges for future periods	Net Payable 2019	Net Payable 2018
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	1,629.08	(290.16)	1,338.92	2,180.16
Payments during the year	(410.56)	89.99	(320.57)	(385.02)
Adjustments	-	0.44	0.44	(687.72)
Exchange (Gain)/Loss	48.45	9.66	58.11	231.50
Balance as at 31 March	1,266.97	(190.07)	1,076.90	1,338.92

Company	Gross Payable	Finance Charges for future periods	Net Payable 2019	Net Payable 2018
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Balance as at 01 April	1,629.08	(290.16)	1,338.92	2,180.16
Payments during the year	(410.56)	89.99	(320.57)	(385.02)
Adjustments	-	0.44	0.44	(687.72)
Exchange (Gain)/Loss	48.45	9.66	58.11	231.50
Balance as at 31 March	1,266.97	(190.07)	1,076.90	1,338.92

16. OTHER LONG-TERM LIABILITIES

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Provision for Aircraft Maintenance and Overhaul Cost (Note 16.1) (b)	12,260.05	19,701.58	12,260.05	19,701.58
Retirement Benefit Obligation (Note 16.2)	5,856.16	5,711.34	5,319.09	5,205.37
Deferred Tax Liability	215.80	77.13	-	-
	18,332.01	25,490.05	17,579.14	24,906.95

16.1 Provision for Future Aircraft Maintenance and Overhaul cost

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
(a) Movement				
As at 1 April	26,997.44	12,919.39	26,997.44	12,919.39
Provisions during the year	10,160.56	8,224.42	10,160.56	8,224.42
Adjustments (Note 6)	907.42	8,336.69	907.42	8,336.69
Utilisation	(4,926.66)	(2,973.41)	(4,926.66)	(2,973.41)
Exchange Loss	4,211.45	490.35	4,211.45	490.35
As at 31 March	37,350.21	26,997.44	37,350.21	26,997.44
(b) Current/non current classification				
Payable with in one year included under Trade payables (Note 18)	25,090.16	7,295.86	25,090.16	7,295.86
After one year included under Long Term Liabilities	12,260.05	19,701.58	12,260.05	19,701.58
	37,350.21	26,997.44	37,350.21	26,997.44

16.2 Retirement Benefit Obligation - Gratuity

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Balance as at 01 April	5,711.34	5,569.72	5,205.37	5,087.26
Current service cost and interest cost	891.80	1,028.16	807.74	939.80
Actuarial (Gain)	(25.92)	(384.44)	(29.10)	(372.53)
Payments during the year	(721.06)	(502.10)	(664.92)	(449.16)
Balance as at 31 March	5,856.16	5,711.34	5,319.09	5,205.37

Notes to the Financial Statements contd.

16. OTHER LONG-TERM LIABILITIES (CONTD.)

16.2 Retirement Benefit Obligation - Gratuity (Contd.)

The Actuarial Valuation was carried out by professionally qualified actuary, M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd for the years ended 31 March based on the following key assumptions;

	Company		Subsidiary	
	2019	2018	2019	2018
(i) Rate of Interest			11%	10%
- LKR	11.5%	10.5%		
- USD	7.1%	6.5%		
(ii) Rate of Salary Increase				
- LKR	7.5%	10.0%	11%	10%
- USD	3%	3%		
(iii) Retirement Age - Years	60	60	55	55
(iv) The entity will continue as a going concern				
(v) Average Expected Remaining Service Life	13.8 Years	16 Years	9.3 Years	9.21 Years

Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employee benefit liability measurement.

The sensitivity of the statement of comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase / (Decrease) in Discount Rate	Increase / (Decrease) in salary escalation Rate	Effect on Retirement Benefit Obligation			
		2019		2018	
		Company LKR. Mn	Subsidiary LKR. Mn	Company LKR. Mn	Subsidiary LKR. Mn
1%	-	(321.41)	(31.18)	(356.62)	(28.79)
-1%	-	364.09	34.71	407.84	32.06
-	1%	374.82	36.89	414.72	34.14
-	-1%	(334.81)	(33.68)	(367.11)	(31.18)

17. SALES IN ADVANCE OF CARRIAGE

Sales in advance of carriage represents the value of unutilised tickets up to 12 months.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Trade and Other Payables	57,061.99	27,266.00	63,586.25	31,628.56
Provision for Future Aircraft Maintenance and Overhaul Cost (Note 16.1) (b)	25,090.16	7,295.86	25,090.16	7,295.86
	82,152.15	34,561.86	88,676.41	38,924.42

19. FINANCIAL INSTRUMENTS

19.1 Classification of Financial Instruments

Financial assets and liabilities in the table below are split into categories in accordance with SLFRS 9 - Financial Instruments for financial year 2018/ 2019 and as per LKAS 32 and 39 - Financial Instruments Recognition and Measurement for the year 2017/2018.

Group	2019		2018	
	Financial Assets measured at amortised cost LKR. Mn	Financial Liabilities at measured at amortised cost LKR. Mn	Loans and Receivables LKR. Mn	Financial Liabilities at amortised cost LKR. Mn
Financial Assets				
Trade and Other Receivables	18,523.74	-	15,693.90	-
Aircraft Maintenance Reserve	33,728.24	-	26,950.81	-
Aircraft and Spare Engine Deposits	6,706.76	-	5,895.26	-
Investments	922.45	-	749.96	-
Cash and Bank Balances	2,212.02	-	1,841.58	-
	62,093.21	-	51,131.51	-
Financial Liabilities				
Interest Bearing Loans and Borrowings	-	123,357.28	-	112,295.41
Preference Shares	-	1,000.00	-	1,000.00
Provision for Aircraft Maintenance and Overhaul Cost	-	37,350.21	-	26,997.44
Trade and Other Payables	-	51,589.43	-	26,998.76
	-	213,296.92	-	167,291.61
Company				
Financial Assets				
Trade and Other Receivables	17,793.29	-	14,892.62	-
Aircraft Maintenance Reserve	33,728.24	-	26,950.81	-
Aircraft and Spare Engine Deposits	6,706.76	-	5,895.26	-
Investments	590.45	-	589.59	-
Cash and Bank balances	1,681.03	-	1,481.17	-
	60,499.77	-	49,809.45	-
Financial Liabilities				
Interest Bearing Loans and Borrowings	-	123,147.47	-	112,127.45
Provision for Aircraft Maintenance and Overhaul Cost	-	37,350.21	-	26,997.44
Trade and Other Payables	-	58,178.53	-	26,009.10
	-	218,676.21	-	165,133.99

Notes to the Financial Statements contd.

19. FINANCIAL INSTRUMENTS (CONTD.)

The following methods and assumptions were used to estimate the fair values:

The Management assessed that the fair value of cash and bank balances, trade and other receivables, trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Management assessed that the fair value of long term variable-rate borrowings approximate their carrying amounts largely due to the market based interest rates. Hence the carrying amounts of Group /Company financial instruments are reasonable approximation of their fair values.

20. REVENUE AND SEGMENT INFORMATION

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
20.1 Revenue				
Scheduled services - Passenger	147,899.87	131,494.46	147,899.87	131,494.46
- Cargo	15,828.38	14,621.41	15,828.38	14,621.41
- Excess Baggage	1,074.22	1,032.81	1,074.22	1,032.81
- Mail	126.27	185.09	126.27	185.09
	164,928.74	147,333.77	164,928.74	147,333.77
Air Terminal and Other Services	14,319.73	13,185.94	14,480.91	13,313.17
Duty Free	882.48	774.13	882.48	774.13
Non-Scheduled Services	48.19	12.80	48.19	12.80
Flight Catering	3,917.90	3,332.28	-	-
Total	184,097.04	164,638.92	180,340.32	161,433.87

20.2 Segment Information

(a) Primary Reporting by Geographical Segment - Revenue by Origin of Sale

Revenue 2019	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2019 LKR. Mn
Scheduled services							
Passenger	25,173.39	59,614.82	19,308.40	30,618.88	4,628.58	8,555.80	147,899.87
Cargo	4,766.89	7,033.06	1,623.66	1,493.28	8.99	902.50	15,828.38
Excess Baggage	147.89	384.12	40.62	478.89	4.52	18.18	1,074.22
Mail	38.27	31.62	51.48	0.01	-	4.89	126.27
	30,126.44	67,063.62	21,024.16	32,591.06	4,642.09	9,481.37	164,928.74
Air Terminal and Other Services	14,319.73	-	-	-	-	-	14,319.73
Duty Free	-	202.97	88.25	317.69	-	273.57	882.48
Non-Scheduled Services	48.19	-	-	-	-	-	48.19
Flight Catering	3,917.90	-	-	-	-	-	3,917.90
Segment Revenue	48,412.26	67,266.59	21,112.41	32,908.75	4,642.09	9,754.94	184,097.04

20. REVENUE AND SEGMENT INFORMATION (CONTD.)

Revenue 2018	Sri Lanka	Asia (excluding Sri Lanka)	Europe & Africa	Middle East	North & South America	South West Pacific	Total 2018 LKR. Mn
Scheduled services							
- Passenger	21,429.18	55,768.54	16,703.68	28,841.82	4,642.75	4,108.49	131,494.46
- Cargo	4,467.96	7,731.49	923.75	1,121.27	40.61	336.33	14,621.41
- Excess Baggage	119.26	370.36	42.81	491.51	0.85	8.02	1,032.81
- Mail	39.64	45.96	66.70	25.94	0.11	6.74	185.09
	26,056.04	63,916.35	17,736.94	30,480.54	4,684.32	4,459.58	147,333.77
Air Terminal and Other Services	13,185.94	-	-	-	-	-	13,185.94
Duty Free	-	131.61	54.19	301.91	263.20	23.22	774.13
Non-Scheduled Services	12.80	-	-	-	-	-	12.80
Flight Catering	3,332.28	-	-	-	-	-	3,332.28
Segment Revenue	42,587.06	64,047.96	17,791.13	30,782.45	4,947.52	4,482.80	164,638.92

(b) Secondary Reporting by Business Segment

	Business Segment 2019				Business Segment 2018			
	Airline	Flight Catering	Inter- segment eliminations	Group	Airline	Flight Catering	Inter- segment eliminations	Group
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Revenue								
Sales to external customers	180,340.32	9,749.66	(5,992.94)	184,097.04	161,433.87	8,597.52	(5,392.47)	164,638.92
Results								
Profit / (Loss) After Tax	(44,022.67)	5,602.51	(3,280.17)	(41,700.33)	(17,213.57)	3,890.30	(5,261.89)	(18,585.15)
Other Segment Information								
Assets	77,339.00	12,589.67	(7,680.94)	82,247.73	67,566.96	9,412.83	(5,394.65)	71,585.14
Liabilities	254,895.23	3,102.90	(7,638.70)	250,359.43	199,763.30	2,757.16	(5,352.43)	197,168.03
Acquisition of Property, Plant and Equipment	890.18	179.67	-	1,069.85	1,403.96	271.79	-	1,675.75
Acquisition of Intangible Assets	29.84	1.06	-	30.90	83.51	22.95	-	106.46
Depreciation and Amortisation	1,643.67	218.33	-	1,862.00	1,779.49	196.55	-	1,976.04
Finance Cost	10,939.83	139.27	-	11,079.10	8,820.16	134.61	-	8,954.77
Finance Income	89.72	38.89	-	128.61	180.99	221.33	(201.70)	200.62
Tax	-	73.42	-	73.42	-	5.92	-	5.92
Operating Expenses	217,735.62	3,982.97	(5,992.94)	215,725.65	175,883.85	4,796.66	(5,646.37)	175,034.14
Trade debtor written off	-	-	-	-	1.55	-	-	1.55
Inventory written off	38.16	-	-	38.16	53.14	-	-	53.14

Notes to the Financial Statements contd.

21. OTHER INCOME AND GAINS

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Profit on Disposal of Property, Plant and Equipment	2.29	-	3.41	-
Miscellaneous	949.90	570.14	939.15	561.48
Dividends from SriLankan Catering Ltd.	-	-	3,280.18	5,314.10
	952.19	570.14	4,222.74	5,875.58

22. OPERATING LOSS

Stated after charging:	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Aircraft Insurance	565.72	478.37	565.72	478.37
Franchise Fees	504.97	442.86	504.97	442.86
Provision for Slow Moving Inventory	214.47	251.60	223.32	251.60
Loss on Disposal of Property, Plant and Equipment	-	14.41	-	14.14
Auditors' Remuneration				
Other Services	3.50	0.23	3.50	-
Audit	11.73	9.48	9.00	8.10
Provision for Impairment of Receivables	327.83	172.92	319.79	172.92
Withholding Tax expense (included in other operating expenses) (Note 22.1)	6,972.27	-	6,972.27	-
Provision for Impairment of Property, Plant and Equipment	6.40	11.24	-	-

22.1 With the enactment of the Inland Revenue Act no 24 of 2017, Company is required to withhold the respective withholding (WHT) tax amount due from liable foreign supplier payments based on the rate applicable and remit the same to Inland revenue department (IRD). As at 31 March 2019 company has made a provision for a tax liability of LKR. 6,972.27 Mn. The Company is continuously having discussions with the relevant Ministry with a view to arriving at a mutually acceptable solution regarding these taxes.

23. FINANCE INCOME AND COST

23.1 Finance Income

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Interest Income	128.61	200.62	89.72	180.99

23.2 Finance Cost

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Interest Cost on Borrowings, Bank Overdrafts and Overdue Supplier Balances	10,842.20	8,694.96	10,833.03	8,690.45
Finance Charges on Lease Liabilities	106.80	129.71	106.80	129.71
Preference Share Dividend	130.10	130.10	-	-
	11,079.10	8,954.77	10,939.83	8,820.16

24. TAXATION

	Group	
	2019 LKR. Mn	2018 LKR. Mn
Tax Expense		
The major components of income tax expense are as follows:		
Current income tax		
Current Tax Expense on Ordinary Activities for the Year (Note 24.1)	25.80	16.23
Deferred tax expense	47.77	-
Under/(Over) Provision of current taxes in respect of prior years	(0.15)	(10.31)
	73.42	5.92

24.1 Reconciliation between current tax expense and the product of accounting loss.

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Accounting Loss before Tax	(41,626.91)	(18,579.23)	(44,022.67)	(17,213.57)
Less: (Profit)/ Loss exempt from income tax	(2,359.96)	18,606.74	-	17,213.57
Profit / (Loss) liable for income tax	(43,986.87)	27.51	(44,022.67)	-
Tax effect of net non deductible expenses	37,030.17	5.02	37,021.67	-
Tax Losses incurred	(7,001.00)	-	(7,001.00)	-
Taxable Profit arising from the Subsidiary	44.30	32.53	-	-
Statutory tax charge at tax rate 28%	12.41	9.11	-	-
Tax on other income	13.40	7.13	-	-
Current Income Tax Expense	25.80	16.23	-	-

Notes to the Financial Statements contd.

24.2 Deferred Tax Liability

	Group	
	2019 LKR. Mn	2018 LKR. Mn
Deferred Tax Liability (Subsidiary)	215.80	77.13

Movement in Deferred Tax Liability (LKR. Mn)	Balance as at 31 March 2017	Movement during the year	Balance as at 31 March 2018	Movement during the year	Balance as at 31 March 2019
Revaluation gains on the buildings	77.13	-	77.13	138.67	215.80

Subsidiary

SriLankan Catering Limited has recognised deferred tax on the revaluation gains on buildings and plant and equipment

Unrecognised Deferred tax (Asset)

Group

Deferred tax assets attributable to the following items has not been recognised.

	Assets		Liability		Net asset/ (liability)	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Property, Plant & Equipment	-	4.65	(616.61)	(1,029.53)	(616.61)	(1,024.88)
Revaluation of Land - Colombo	-	-	(171.67)	(171.67)	(171.67)	(171.67)
Revaluation of Buildings	-	-	(700.76)	(700.76)	(700.76)	(700.76)
Retirement Benefit Obligation	1,489.35	1,533.40	-	-	1,489.35	1,533.40
Provision for Impairment of Maintenance Reserve	3,292.21	2,118.76	-	-	3,292.21	2,118.76
Provision for Slow Moving Stocks	657.18	609.68	-	-	657.18	609.68
Provision for Impairment of Receivables	443.85	307.65	-	-	443.85	307.65
Provision for Aircraft Maintenance and Overhaul Cost	10,460.71	7,559.28	-	-	10,460.71	7,559.28
	16,343.30	12,133.42	(1,489.04)	(1,901.96)	14,854.26	10,231.46

24.2 Deferred Tax Liability (Contd.)

Movement in deferred tax during the year

	Balance as at 31 March 2017 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2019 LKR. Mn
Property, Plant & Equipment	(314.39)	(710.49)	(1,024.88)	408.27	(616.61)
Revaluation of Land - Colombo	-	(171.67)	(171.67)	-	(171.67)
Revaluation of Buildings	(588.11)	(112.65)	(700.76)	-	(700.76)
Retirement Benefit Obligation	1,496.80	36.60	1,533.40	(44.05)	1,489.35
Provision for Impairment of Maintenance Reserve	-	2,118.76	2,118.76	1,173.45	3,292.21
Provision for Slow Moving Stocks	-	609.68	609.68	47.50	657.18
Provision for Impairment of Receivables	-	307.65	307.65	136.20	443.85
Provision for Aircraft Maintenance and Overhaul Cost	-	7,559.28	7,559.28	2,901.43	10,460.71
	594.30	9,637.16	10,231.46	4,622.80	14,854.26

Company	Assets		Liability		Net asset/ (liability)	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Property, Plant & Equipment	-	-	(616.61)	(1,029.53)	(616.61)	(1,029.53)
Revaluation of Land - Colombo	-	-	(171.67)	(171.67)	(171.67)	(171.67)
Revaluation of Buildings	-	-	(700.76)	(700.76)	(700.76)	(700.76)
Retirement Benefit Obligation	1,489.35	1,457.50	-	-	1,489.35	1,457.50
Provision for Impairment of Maintenance Reserve	3,292.21	2,118.76	-	-	3,292.21	2,118.76
Provision for Slow Moving Stocks	657.18	609.68	-	-	657.18	609.68
Provision for Impairment of Receivables	443.85	307.65	-	-	443.85	307.65
Provision for Aircraft Maintenance and Overhaul Cost	10,460.71	7,559.28	-	-	10,460.71	7,559.28
	16,343.30	12,052.87	(1,489.04)	(1,901.96)	14,854.26	10,150.91

Notes to the Financial Statements contd.

24.2 Deferred Tax (Contd.)

	Balance as at 31 March 2017 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2018 LKR. Mn	Movement during the year LKR. Mn	Balance as at 31 March 2019 LKR. Mn
Property, Plant & Equipment	(318.59)	(710.94)	(1,029.53)	412.92	(616.61)
Revaluation of Land - Colombo	-	(171.67)	(171.67)	-	(171.67)
Revaluation of Buildings	(588.11)	(112.65)	(700.76)	-	(700.76)
Retirement Benefit Obligation	1,424.43	33.07	1,457.50	31.85	1,489.35
Provision for Impairment of Maintenance Reserve	-	2,118.76	2,118.76	1,173.45	3,292.21
Provision for Slow Moving Stocks	-	609.68	609.68	47.50	657.18
Provision for Impairment of Receivables	-	307.65	307.65	136.20	443.85
Provision for Aircraft Maintenance and Overhaul Cost	-	7,559.28	7,559.28	2,901.43	10,460.71
	517.73	9,633.18	10,150.91	4,703.35	14,854.26

Company

The rate of tax used is 28% which is the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws enacted as at the Reporting date. The Company has not recognised the deferred tax Liability on gain on actuarial assumptions amounting to LKR. 8.15 Mn through other comprehensive income since there are deferred tax assets which can be recognised through profit and loss to the extent of the liability. As such net deferred tax asset amounting to LKR.14,854.26 Mn as at 31 March 2019 was not recognised in the financial statements as it is not probable that the future taxable profits will be adequate to utilise the available deferred tax assets in the foreseeable future.

Deferred tax asset is not computed on tax loss carried forward for the year of LKR. 1,960.28 Mn.

Subsidiary

Deferred tax liability has been calculated based on the future tax rates applicable for each segments which are 15% and 28%.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

The Group and Company's commitment for acquisition of property, plant and equipment incidental to the ordinary course of business were as follows:

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Authorised and contracted but not provided for				
Tangible *	189,464.21	167,571.38	189,460.18	167,526.59
Intangible	4.56	-	4.56	-
	189,468.77	167,571.38	189,464.74	167,526.59
Authorised but not contracted for				
Tangible	484.49	158.69	484.49	158.69
Intangible	2.29	50.53	2.29	50.53
	486.78	209.22	486.78	209.22
	189,955.55	167,780.60	189,951.52	167,735.81

*As of 31 March 2019, an amount of LKR. 189,422.46 Mn (USD 1,076 Mn) (2018 - LKR. 167,439.77 Mn (USD 1,076 Mn)) representing the list price, excluding cost of any additional features and credits available for the purchase of four A350-900 Aircraft have been considered under capital commitment. Further refer Note 5 in relation to the same.

25.2 Financial Commitments

(a) Total future minimum lease commitment under non-cancellable operating leases as at 31 March were as follows:

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Within one year	30,309.18	27,085.44	30,309.18	27,085.44
After one year but not more than five years	108,889.32	98,999.94	108,889.32	98,999.94
Later than five years	86,060.62	96,584.39	86,060.62	96,584.39
	225,259.12	222,669.77	225,259.12	222,669.77

- (a) Lease Commitments as at 31 March 2018 includes the Lease Commitments on one A321 - 200neo aircraft which was delivered in August 2018. The lease commitment on the new delivery was based on the base rental which excludes adjustments for Standard Airbus escalation, interest rate adjustments and the cost of any additional features which will be adjusted at delivery.
- (b) As at 31 March 2019, the Company has issued Letters of Credit with the value of LKR. 1,579.95 Mn (USD 8.97 Mn) (2018 - LKR.1,361.67 Mn (USD 8.97 Mn) as Security deposits for leased Aircraft.
- (c) The Company has constructed its building on a land owned by Airport & Aviation Services (Sri Lanka) Limited on an operating lease ending 31 March 2028. The remaining lease rental commitment for the land and buildings leased by the Group and Company including the outstations is as follows:

	Group		Company	
	2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Instalment payable:				
Within one year	722.67	768.74	575.86	623.40
After one year but not more than five years	1,435.78	1,791.38	1,206.82	1,466.43
Later than five years	1,451.71	2,001.87	1,136.38	1,592.73

Notes to the Financial Statements contd.

25. COMMITMENTS AND CONTINGENCIES (Contd.)**25.3 Contingencies****Company**

The Contingent liabilities are based on claims made of LKR. 16,444.50 Mn as at 31 March 2019 (2018: LKR. 15,085.72 Mn). The Contingent Liability includes claims made by several suppliers of aircraft parts as a result of cancellation of aircraft lease agreements amounting to LKR. 13,204.14 Mn (USD 74 Mn and EUR 0.91 Mn), a penalty levied by an overseas tax authority pertaining to payment of airport taxes amounting to LKR. 529.73 Mn (USD 3.01 Mn), a claim of LKR. 714.89 Mn (USD 4.06 Mn) made by a supplier pursuant to the discontinuation of a contract, Service Tax disputes with an overseas tax authority amounting to LKR. 1,484.48 Mn and employees related claims of LKR. 239.54 Mn.

No provision has been made in these financial statements as the Directors do not anticipate any significant liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees.

Subsidiary

In the opinion of the company's lawyers, there are no pending litigations against the company other than the following case that will have an impact on the reported financial results of the future operations of the company.

One case is being heard at the Labour Tribunal. Further, there are 4 cases which had been appealed by the company as at the reporting date. A deposit of LKR. 5.3 Mn has been deposited for those appealed cases.

26. ASSETS PLEDGED**Company /Group**

Refer Note 15.2 for details of the assets pledged against facilities obtained.

27. EVENTS OCCURRING AFTER THE REPORTING DATE**27.1 Company**

In June 2019, Company repaid the International Bond with a face value of USD 175 Mn which was listed in Singapore Stock Exchange. A new International Bond with a face value USD 175 Mn listed in Singapore Stock Exchange was issued by the Company to fund this repayment. The tenor of new Bond is five years and carry a fixed interest rate of 7% per annum payable semi-annually. The Bond is guaranteed by GOSL.

Subsidiary

There are no events occurring after the Reporting date that require adjustments to or disclosure in the financial statements.

28. RELATED PARTY DISCLOSURES

28.1 GROUP & COMPANY

28.1.1 Transactions with Key Management Personnel (KMP)

Related parties include KMPs defined as those persons having authority and responsibility for planning, directing and operating the activities of the Company and its Subsidiary. Such KMPs include the Board of Directors, Chief Executive Officer and Other Senior Management Executives of the Group who meet the criteria described above.

In line with the Group/ Company policy which stipulate that any transaction between the Company and the related party (where the affiliates of the Company, the Directors, Employees or their close family members have an interest) shall be disclosed, the associated declarations made by the KMPs have been considered.

The significant transactions carried out by the KMP in the ordinary course of business during the Reporting period are as follows;

	2019 LKR. Mn	2018 LKR. Mn
Short Term Benefits	276.33	304.17
Post Employment Benefits	41.84	46.09
Termination Benefits	16.35	12.43

Above short term benefits includes director fees paid by the Subsidiary amounting to LKR. 0.85 Mn. No privilege and other firm air tickets have been provided to directors during the year 2018/2019 (In 2018, Directors fee LKR. 6.01 Mn and privilege and other firm air tickets amounting to LKR. 18.65 Mn). Key Management Personnel and their spouses and dependent children are also entitled for free of charge air tickets on seat availability basis.

28.2 Group

The Government of Sri Lanka (GOSL) being the major shareholder of the Company has the controlling power over the Group. The following significant transactions have been carried out with entities controlled by the GOSL in the ordinary course of business.

Notes to the Financial Statements contd.

28 RELATED PARTY DISCLOSURES (Contd.)

28.2 GROUP (Contd.)

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
Ceylon Petroleum Corporation	Government owned	Fuel	(34,033.36)	(25,959.20)	(26,826.20)	(4,907.32)
		Deferred Supplier Payments	-	-	(5,695.94)	(7,985.05)
		Finance Cost on Overdue Payments	(1,007.55)	(490.61)	(551.50)	(83.96)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise Fees & Garbage Incineration charges	(3,689.48)	(3,489.83)	(1,214.16)	(1,214.16)
Civil Aviation Authority	Government controlled	Licenses, Permits and Levies	(11,771.42)	(9,779.95)	(0.01)	(0.84)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	23.36	74.48	768.79	745.43
		Purchases	-	(20.88)	-	-
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(511.38)	(477.53)	-	-
Bank of Ceylon	Government owned	Loan Repayments	(117.32)	-	-	-
		Loan Received	146.01	4,107.83	-	-
		Loan	-	-	(30,290.19)	(28,457.50)
		Short term Deposits	-	-	811.47	679.57
		Interest	(3,148.06)	(2,770.01)	-	-
		Bank Overdraft	-	-	(9,132.24)	(1,757.14)
Peoples Bank	Government owned	Loan Received/ Interest capitalisation	2,299.23	3,889.38	-	-
		Loan	-	-	(33,249.23)	(28,907.50)
		Interest	(3,442.88)	(2,343.83)	-	-
Employees' Provident Fund	Shareholder of the Subsidiary	Preference Share Dividend	130.10	(130.10)	(64.87)	(64.87)
		13.01% Non-Voting Redeemable Cumulative (5 years) Preference Shares	-	-	(1,000.00)	(1,000.00)

As of the Reporting date the Group has utilised Bank Guarantee facility of LKR. 2,333.14 Mn (2018 - LKR. 1,926.42 Mn) from Bank of Ceylon.

Balances from / to entities controlled by the GOSL are included under Trade and Other Receivables/Payables and Interest Bearing Liabilities in the Statement of Financial Position.

As of the reporting date provision for impairment relating to related parties amounted to LKR. 1,078.55 Mn (2018-LKR. 928.90 Mn).

Limited disclosures have been made in accordance with LKAS 24 - 'Related Party Disclosures' for transactions that are individually significant because of their size and due to the impracticability of capturing and disclosure of all transactions which have been carried out with all government controlled/related entities.

Following are some of such other Government controlled/related entities with whom the group has transacted with, during the year :

- Ceylon Electricity Board
- Department of Inland Revenue
- State Pharmaceutical Corporation
- Ministry of Foreign Affairs
- Sri Lanka Air Force
- Sri Lankan Army
- Sri Lankan Navy
- Sri Lanka Postal Authority
- Sri Lanka Tourism Promotion Bureau

Further transactions relating to contributions for employee retirement benefits are made in line with the respective statutes and regulations to Employees Provident Fund (EPF) and Employees Trust Fund (ETF).

Transactions with the related parties took place at commercial terms.

Notes to the Financial Statements contd.

28 RELATED PARTY DISCLOSURES (Contd.)

28.3 COMPANY

Significant Transactions including the following have been carried out with Subsidiary and entities controlled by the Government of Sri Lanka (GOSL) in the ordinary course of business.

Name of the Company	Relationship	Nature of Transactions	Transaction Amount		Receivable/ (Payable) Balance	
			2019 LKR. Mn	2018 LKR. Mn	2019 LKR. Mn	2018 LKR. Mn
SriLankan Catering Limited	Subsidiary	Freight Services	25.48	13.99	-	-
		Flight Catering and Other Services	(5,696.05)	(5,378.46)	(7,638.70)	(5,352.44)
		Dividend	3,280.18	5,314.10	-	-
Ceylon Petroleum Corporation	Government owned	Fuel	(33,909.42)	(25,852.36)	(26,826.20)	(4,907.32)
		Deferred Supplier Payments	-	-	(5,695.94)	(7,985.05)
		Finance Cost on Overdue Payments	(1,007.55)	(490.61)	(551.50)	(83.96)
Airport and Aviation Services Ltd.	Government owned	Landing, Parking, Aero Bridge, Lounge, Rent, Franchise Fees & Garbage Incineration charges	(3,069.72)	(2,912.51)	(1,823.57)	(1,236.06)
Civil Aviation Authority	Government controlled	Licences, Permits and Levies	(11,771.42)	(9,779.95)	(0.01)	(0.84)
Mihin Lanka (Pvt) Ltd	Government owned	Warehouse Rent	23.36	74.48	768.79	745.43
		Purchases	-	(20.88)	-	-
Sri Lanka Insurance Corporation	Government owned	Insurance Services	(511.38)	(477.53)	-	-
Bank of Ceylon	Government owned	Loan Received	-	3,889.38	-	-
		Loan	-	-	(30,500.00)	(28,457.50)
		Short term Deposits	-	-	491.47	679.57
		Net Interest	(3,148.06)	(2,770.01)	-	-
		Bank Overdraft	-	-	(9,132.24)	(1,757.14)
Peoples Bank	Government owned	Loan Received/ Interest capitalisation	2,299.23	3,889.38	-	-
		Loan	-	-	(33,249.23)	(28,907.50)
		Interest	(3,442.88)	(2,343.83)	-	-

As of the Reporting date the Company has utilised Bank Guarantee facility of LKR. 2,313.60 Mn (2018 - LKR. 1,906.88 Mn) from Bank of Ceylon.

Balances from / to entities controlled by the GOSL are included under Trade and Other Receivables/Payables and Interest Bearing Liabilities in the Statement of Financial Position.

As of the Reporting date provision for impairment relating to related parties amounted to LKR. 1,018.10 Mn (2018 - LKR. 875.73 Mn).

Limited disclosures have been made in accordance with LKAS 24 - 'Related Party Disclosures' for transactions that are individually significant because of their size and due to the impracticability of capturing and disclosure of all transactions which have been carried out with all government controlled/ related entities.

Following are some of such other Government controlled/related entities with whom the Company has transacted with, during the year :

- Ceylon Electricity Board
- Department of Inland Revenue
- State Pharmaceutical Corporation
- Ministry of Foreign Affairs
- Sri Lanka Air Force
- Sri Lankan Army
- Sri Lankan Navy
- Sri Lanka Postal Authority
- Sri Lanka Tourism Promotion Bureau

Further transactions relating to contributions for employment retirement benefits are made in line with the respective statutes and regulations to Employees Provident Fund (EPF) and Employees Trust Fund (ETF).

Transactions with the related parties took place at commercial terms.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise of trade and other receivables and cash and short-term deposits that are derived directly from its operations.

The corporate management periodically reviews and updates a comprehensive risk management matrix and has identified the following financial risks that have a significant impact.

- (i) Market Risk
 - Interest rate risk
 - Currency risk
- (ii) Liquidity risk
- (iii) Credit Risk

The Group reviews its risk management policies and procedures on regular basis to reflect changes in markets and other financial risk taking activities and these are governed by appropriate policies and procedures to ensure that risks are identified, measured and managed in accordance with set policies and procedures.

Notes to the Financial Statements contd.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(i) Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to maintain an appropriate balance between fixed and variable rate borrowings including aircraft leasing in order to mitigate the effect of interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group/Company loss before tax would have been affected through the impact on floating rate borrowings as follows.

	2019		2018	
	Effect on Loss before Tax		Effect on Loss before Tax	
	Group	Company	Group	Company
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Increase/(Decrease) in Interest Rate				
+1%	779.53	777.53	732.47	730.44
-1%	(779.53)	(777.53)	(732.47)	(730.44)

* Increase in interest rates result in an increase in losses

Foreign Currency Risk

Foreign Currency Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Group is exposed to the effect of foreign exchange rate fluctuations because of its foreign currency denominated revenue, expenses, borrowings and other financial instruments.

Group manages its foreign exchange exposure by a policy of matching as far as possible, receipts and payments in each individually significant currency and hedging identified foreign currency loans against its highly probable, specifically identified future revenue in foreign currency.

The following table demonstrates the sensitivity to a reasonably possible change in Sri Lankan Rupee (LKR) against US dollar (USD), with all other variables held constant, of the Group /Company loss before tax (due to changes in the fair value of outstanding monetary assets and liabilities recorded in statement of financial position as of the Reporting date). The Group's exposure to foreign currency changes for all other currencies is not material.

	2019				2018			
	Effect on OCI		Effect on Loss before Tax		Effect on OCI		Effect on Loss before Tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Appreciation/(Depreciation) of USD against LKR								
+3%	553.93	553.93	2,701.83	2,726.15	500.16	500.16	1,227.33	1,247.02
-3%	(553.93)	(553.93)	(2,701.83)	(2,726.15)	(500.16)	(500.16)	(1,227.33)	(1,247.02)

* Appreciation of USD results in an increase in losses.

(ii) Liquidity Risk

The Liquidity Risk is the risk that the Group may not be able to meet its present and future cash obligations when they fall due. The Group monitors its risk of shortage of funds using a daily/ weekly / monthly and annual cash management and budgeting process. Group obtains multiple sources of funding from financial institutions including long term and short term loans, bank overdraft facilities and finance/ operating leases in order to mitigate the risk.

The table below summarises the maturity profile of the Group's/Company's financial liabilities based on contractual undiscounted payments.

Group	2019					
	On demand	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Interest Bearing Liabilities	9,132.24	34,212.30	71,517.72	10,777.73	-	125,639.99
Aircraft Maintenance and Overhaul Cost	1,512.34	3,338.83	20,085.52	9,217.61	3,195.90	37,350.20
Trade and Other Payables	-	51,589.43	-	-	-	51,589.43
Preference Shares	-	65.05	65.05	1,195.15	-	1,325.25
	10,644.58	89,205.61	91,668.29	21,190.49	3,195.90	215,904.87
Company						
Interest Bearing Liabilities	9,132.24	34,180.45	71,423.13	10,690.42	-	125,426.24
Aircraft Maintenance and Overhaul Cost	1,512.34	3,338.83	20,085.52	9,217.61	3,195.90	37,350.20
Trade and Other Payables	-	58,178.53	-	-	-	58,178.53
	10,644.58	95,697.81	91,508.65	19,908.03	3,195.90	220,954.97

Group	2018					
	On demand	Less than three months	3 to 12 Months	1 to 5 year	More than 5 years	Total
	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn	LKR. Mn
Interest Bearing Liabilities	1,757.14	2,145.17	60,855.24	29,302.27	29.82	94,089.64
Aircraft Maintenance and Overhaul Cost	2,946.37	1,505.50	217.43	19,016.36	3,522.74	27,208.40
Trade and Other Payables	-	26,998.76	-	-	-	26,998.76
Preference Shares	-	65.05	65.05	1,195.15	-	1,325.25
	4,703.51	30,714.48	61,137.72	49,513.78	3,552.56	149,622.05
Company						
Interest Bearing Liabilities	1,757.14	2,115.84	60,769.38	29,242.38	29.82	93,914.56
Aircraft Maintenance and Overhaul Cost	2,946.37	1,505.50	217.43	19,016.36	3,522.74	27,208.40
Trade and Other Payables	-	26,009.10	-	-	-	26,009.10
	4,703.51	29,630.44	60,986.81	48,258.74	3,552.56	147,132.06

Notes to the Financial Statements contd.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

(ii) Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its operating activities (primarily for trade receivables).

The sale of passenger and cargo transportation is primarily through IATA accredited sales agents. The credit risk of such sales is relatively small owing to a broad diversification. Settlements from these agents are collected by IATA through their passenger and cargo settlement schemes. The funds collected are settled directly to the airline by IATA which gives further assurance of the credit worthiness of such agents.

Receivables and payables among major airlines are primarily settled via the IATA Clearing House. Receivables and payables are generally netted and settled on weekly intervals, which lead to a clear reduction in the risk of default.

For other service relationships, collateral is required depending on the nature and scope of the services rendered. Such collaterals from debtors include bank guarantees and security deposits.

Impairment is made for doubtful accounts receivable whenever risks are identified.

Capital Management

Based on the business plan as more fully described in Note 3 to these Financial Statements, the Government of Sri Lanka has demonstrated its commitment to infuse the required funding by way of sovereign guarantee/ letters of comfort to raise debt financing.

Glossary

Available Seat Kilometers (ASK)

The product of seats offered for sale and distance over which they are carried.

Available Tonne Kilometers (ATK)

This is the measures of transport production.

The ATK produced by a flight are the capacity for payload of the aircraft measured in tonnes multiplied by the distance flown.

Revenue Passenger Kilometres (RPK)

The product of passengers carried and the distance over which they are carried.

Revenue Tonnes Kilometres (RTK)

The product of passenger and cargo carried in tonnes and the distance over which they are carried.

Load Factor

The Percentage relationship of revenue loads to capacity provided.

The passenger load factor relates RPK to ASK while the overall load factor relates RTK to ATK.

Revenue Per RPK

The revenue per RPK relates the passenger revenue to RPK.

Unit Cost

The unit cost relates the total operating costs to ATK

Overall Yield

Overall Yield relates the net traffic revenue to RTK.

The net traffic revenue being the sum of the passenger, excess baggage, cargo and mail revenue.

Breakeven Load Factor

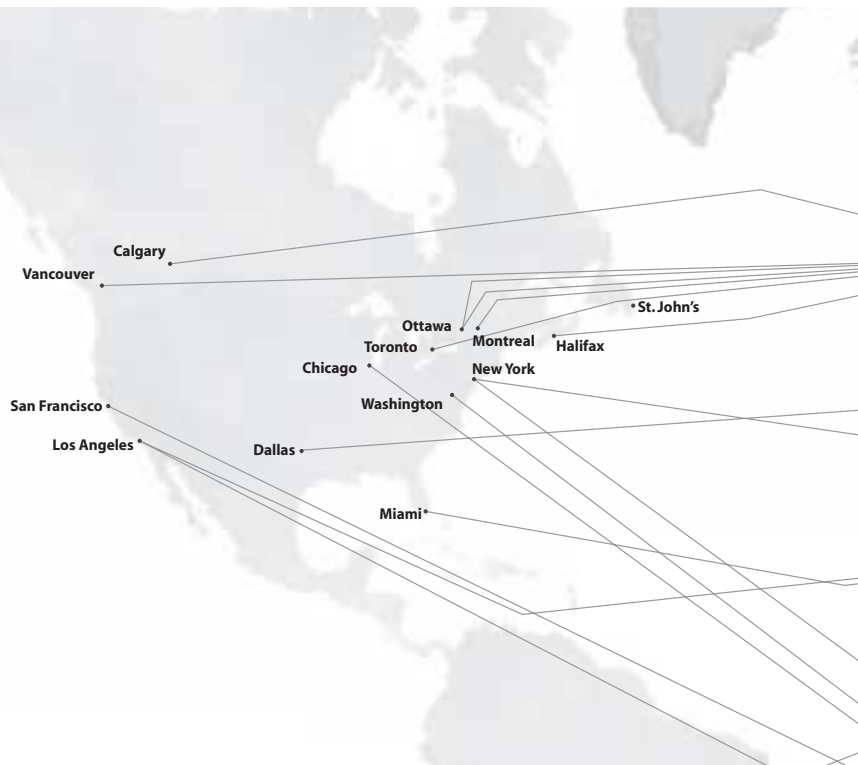
The load factor required to equate revenue from scheduled airline operations with operating costs.

Ten Year Review

		2010	2011	2012	2013
STATEMENT OF PROFIT OR LOSS					
Revenue	LKR. Mn	62,363.58	77,125.45	92,867.93	119,570.90
Operating Expenditure	LKR. Mn	69,026.74	81,334.34	111,775.88	146,700.24
Net Profit/(Loss)	LKR. Mn	(2,698.20)	(381.61)	(19,778.03)	(26,088.57)
STATEMENT OF FINANCIAL POSITION					
Share Capital / Stated Capital	LKR. Mn	5,146.35	5,146.35	19,432.67	32,032.75
Non Current Assets	LKR. Mn	28,531.75	19,862.87	37,591.58	23,338.28
Current Assets	LKR. Mn	15,910.82	18,276.59	22,072.71	54,905.22
Total Assets	LKR. Mn	44,442.57	38,139.46	59,664.29	78,243.50
Current Liabilities	LKR. Mn	28,399.92	28,017.97	64,235.43	71,346.64
YIELD/UNIT COST					
Overall Yield	LKR. tkm	54.94	60.27	64.47	74.31
Unit Cost	LKR. tkm	43.37	45.92	57.28	64.68
Breakeven Load Factor	%	78.94	76.19	88.84	87.03
Revenue per RPK	LKR./RPK	5.79	6.31	6.63	7.60
PRODUCTION					
Passenger Capacity	ASK Mn	10,724.83	12,481.41	14,248.94	15,944.31
Overall Capacity	ATK Mn	1,541.03	1,755.23	1,978.33	2,186.96
TRAFFIC					
Passengers carried	Nos. Thousands	2,558	2,867	3,459	4,255
Passengers carried	RPK Mn	8,357.89	9,584.02	11,270.23	12,968.74
Passenger Load Factor	%	77.93	76.79	79.10	81.34
Cargo carried	Tonnes	72,058	86,053	87,750	101,100
Cargo Load carried	RTK Mn	283.83	332.98	345.67	377.75
Overall Load carried	RTK Mn	1,028.11	1,184.13	1,338.30	1,513.70
Overall Load Factor	%	66.72	67.46	67.65	69.22
STAFF					
Average strength	Nos.	4,614	4,998	5,594	6,359
Revenue per employee	LKR.	13,516,164	15,431,263	16,601,346	18,803,412
Capacity per employee	Tonne-km	333,991	351,186	353,652	343,916
Load carried per employee	Tonne-km	222,825	236,922	239,238	238,041
FLEET					
A320-200	Nos.	3	4	7	8
A321-200	Nos.	-	-	-	-
A320 NEO	Nos.	-	-	-	-
A321 NEO	Nos.	-	-	-	-
A330-200	Nos.	4	5	7	7
A330-300	Nos.	-	-	-	-
A340-300	Nos.	5	5	6	6
Turbo Otter	Nos.	-	2	2	1
Aircraft in service at year end	Nos.	12	16	22	22
Aircraft Utilisation	Blk. Hrs. per day	13.05	14.05	13.48	12.82

2014	2015	2016	2017	2018	2019
121,585.83	131,922.13	129,480.41	135,491.19	161,433.87	180,340.32
150,389.46	145,983.35	137,311.44	146,760.80	175,883.85	217,735.62
(32,408.34)	(16,494.66)	(12,621.69)	(28,929.99)	(17,213.57)	(44,022.67)
51,617.44	51,617.44	51,617.44	51,617.44	51,617.44	51,617.44
25,212.47	22,836.77	23,548.01	24,660.56	37,476.46	36,596.59
37,154.23	49,721.49	26,901.02	26,973.07	30,090.50	40,742.41
62,366.70	72,558.26	50,449.03	51,633.63	67,566.96	77,339.00
88,609.07	103,414.31	100,334.44	126,302.55	130,358.61	227,081.67
77.26	80.32	79.06	80.08	84.24	91.32
64.96	61.88	61.39	64.79	69.15	81.22
84.07	77.03	77.65	80.91	82.09	88.94
7.78	8.22	8.17	8.43	8.62	9.43
15,780.54	16,180.27	15,790.28	15,608.10	18,487.54	18,925.40
2,187.18	2,224.87	2,165.21	2,167.92	2,549.88	2,577.53
4,175	4,348	4,328	4,446	5,839	5,663
12,810.95	12,963.71	12,727.66	12,455.05	15,280.78	15,689.19
81.18	80.12	80.60	79.80	82.65	82.90
94,410	101,878	102,082	116,221	132,958	125,753
355.59	373.32	356.76	374.46	401.66	408.71
1,466.74	1,519.93	1,484.77	1,475.29	1,749.14	1,806.58
67.06	68.32	68.57	68.05	68.60	70.09
6,578	6,987	6,959	7,021	7,019	6,794
18,483,708	18,881,084	18,606,181	19,297,991	22,999,555	26,544,057
332,499	318,430	311,139	308,776	363,283	379,383
222,976	217,537	213,359	210,126	249,201	265,908
8	6	6	6	5	5
-	2	2	3	3	2
-	-	-	2	2	2
-	-	-	-	3	4
7	7	6	6	6	7
-	2	7	7	7	7
6	4	-	-	-	-
-	-	-	-	-	-
21	21	21	24	26	27
12.76	12.90	12.02	12.44	13.25	12.60

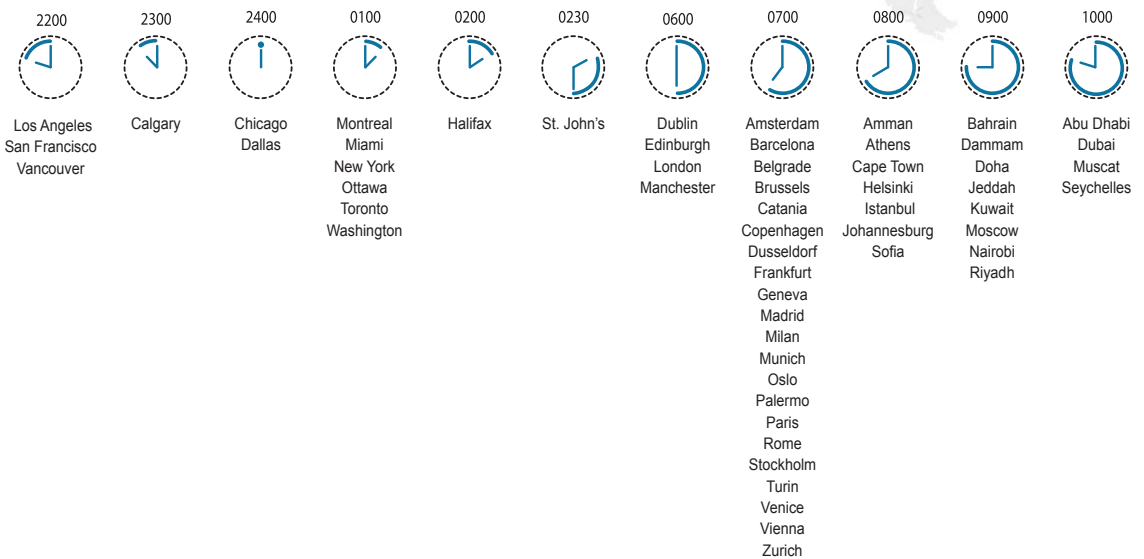
Route Map



- SriLankan Airlines Direct Flights
- - - Code share Routes

Code share Partners

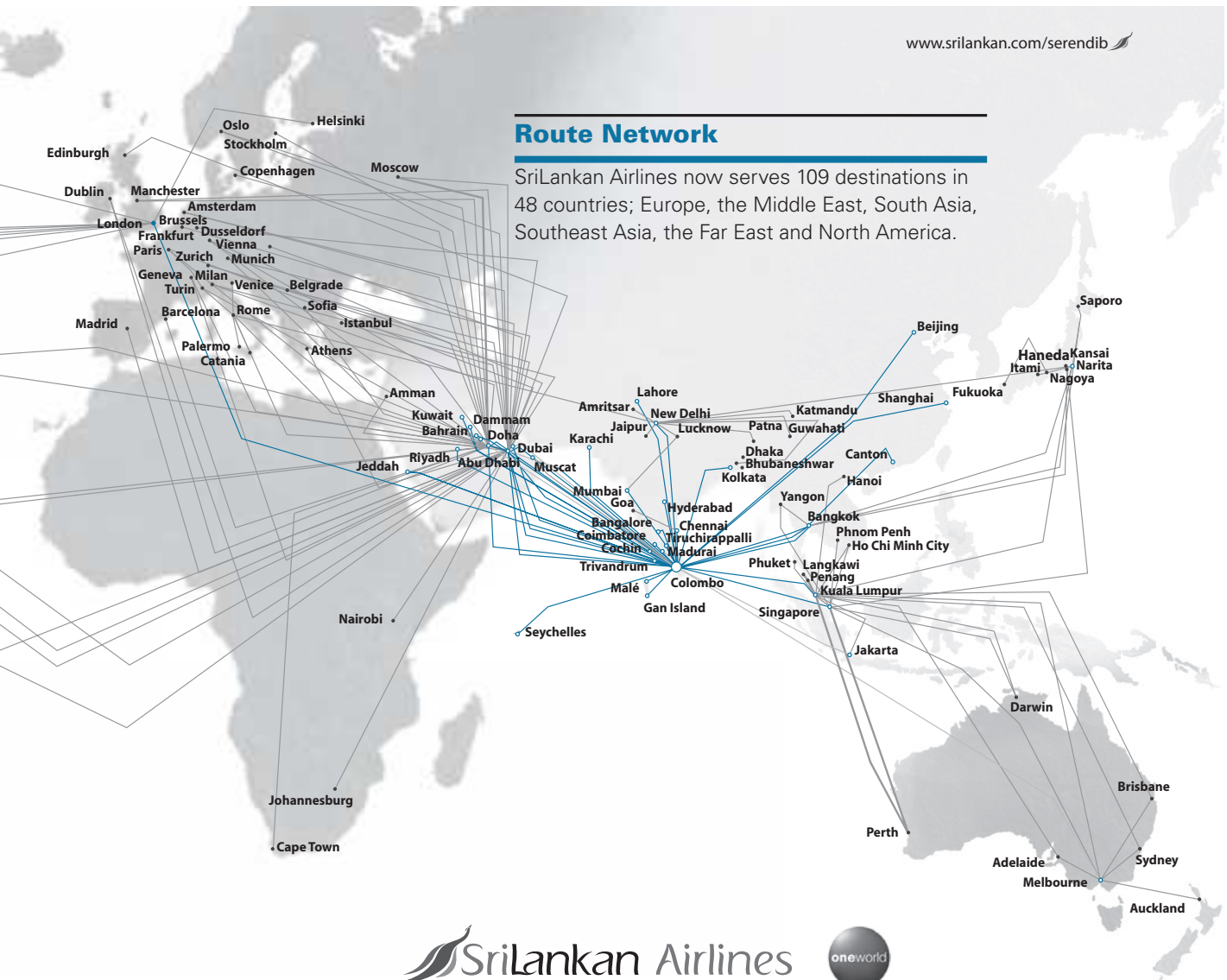
- Etihad Airways
- Qatar Airways
- Japan Airlines
- Jetstar Asia
- Malaysia Airlines
- Qantas
- Air Canada
- Alitalia
- Myanmar Airways International
- Finnair
- Air India



TIME ZONES ALL TIMES IN GMT, WHERE COLOMBO IS AT 1130

Route Network

SriLankan Airlines now serves 109 destinations in 48 countries; Europe, the Middle East, South Asia, Southeast Asia, the Far East and North America.



1100	1130	1130	1200	1300	1400	1500	1530	1600	1800
Gan Island Karachi Lahore Malé	India, incl Amritsar Bangalore Bhubaneswar Chennai Cochin Coimbatore Goa Guwahati Hyderabad Jaipur Katmandu Kolkata Lucknow Madurai Mumbai New Delhi Patna Tiruchirappalli Trivandrum	Colombo	Dhaka	Bangkok Hanoi Ho Chi Minh City Jakarta Phuket Phnom Penh Yangon	Beijing Canton Kuala Lumpur Langkawi Penang Perth Shanghai Singapore	Fukuoka Haneda Itami Kansai Nagoya Narita Saporo	Adelaide Darwin	Brisbane Melbourne Sydney	Auckland

Milestones

2008/2009



- ✦ The Company took delivery of one Airbus A320 aircraft under an operating lease agreement.
- ✦ Management control of the Company held by Emirates for a period of ten years, expired in March 2008. Consequently commencing from 1st April 2008 management of the company has been vested in the Government of Sri Lanka (GOSL).

2011/2012



- ✦ The Company took delivery of four Airbus A320 aircraft, two Airbus A330 wide-body aircraft and one Airbus A340 wide-body aircraft under an operating lease agreement.
- ✦ The Cabinet approved an equity investment of USD 500 Mn by the GOSL in order to recapitalise the Airline.

2013/2014



- ✦ Commissioning of Flight Simulator for Airbus A330 pilot training.
- ✦ In December 2013, the Company cutover the passenger services system to Amadeus Altea.
- ✦ In March 2014, the Company entered into financing arrangement with a syndicate of banks to secure a USD 150 Mn. medium-term loan.

2009/2010



- ✦ The Company took delivery of two Airbus A320 aircraft under an operating lease agreement.

2010/2011



- ✦ The Company took delivery of one A320 aircraft and one Airbus A330 wide-body aircraft under an operating lease agreement.
- ✦ In July 2010 the Government of Sri Lanka facilitated the purchase of the 42.63% equity stake held by Emirates in the Company.

2012/2013



- ✦ Commissioning of First Flight A320 Simulator in Sri Lanka for training of Airbus A320 pilots.
- ✦ The Company took delivery of one Airbus A320 aircraft under an operating lease agreement.
- ✦ Commencing international flights from Mattala International Airport.
- ✦ In May 2012, the Company entered into a financing arrangement with a syndicate of foreign banks to secure financing amounting to USD 175 Mn.

2014/2015



- ✦ The Company entered into oneworld alliances in May 2014.
- ✦ In June 2014, the Company for the first time issued a five-year International Bond.
- ✦ The Company took delivery of three brand new A330-300 aircraft in October 2014 and March 2015 respectively as part of a wide body aircraft re-fleeting programme.



2015/2016

- The Airline was shortlisted for four prestigious titles: Best in the Region Asia and Australasia, Best inflight Publication, 'Best inflight Video' and Best Ground Experience at APEX Passenger Choice Awards 2015. This is the first time the Airline has been nominated for four categories. The Airline won superior Achievement Award for Passenger Experience in the Asia and Australasia – September 2015 APEX Portland Oregon and best full service airline, Central and South Asia – Future Travel Experience Awards Asia 2015 - Singapore
- The Company took delivery of four Brand New A330-300 aircraft in August and November and two aircraft in December 2015, as part of the wide-body aircraft re-fleeting programme.



2017/2018

- The Company took delivery of three brand new airbus A321-200neo aircraft in June 2017, October 2017 and December 2017 accordingly as part of the aircraft fleet.
- SriLankan, launched services to four new destinations - Melbourne, Hyderabad, Coimbatore and Visakhapatnam.
- The Airline received a four Star rating of excellence from Airline Passenger Experiences Association (APEX), and at Future Travel Experiences Award 2017 –Singapore the Airline walked away with an award for outstanding services for the third consecutive year. The Company also won the "Innovation in Commercial Airlines Cabins" award at the In-flight Asia Pacific Awards in Singapore -2017.



2016/2017

- Induction of two A320neo aircraft in February 2017 and March 2017 – the first two A320/A321 Family New Engine Option Aircraft joined the fleet.
- SriLankan launched services to eleven exciting new destinations – Lahore, Jakarta, Dhaka, Calcutta, Madurai, Varanasi, Bodhgaya, Muscat, Bahrain, Seychelles and Gan Islands.
- The Company was awarded "top travel award", "Best Airline in South Asia", "Best Full Services Airline in Central and South Asia for the second consecutive year at the Future Travel Experience Asia 2016. The "Airline claimed the "Training Excellence Award" and "Best HR Strategy in line with Business" at the 7th Asia Employer Brand Awards.



2018/2019

- The Company took delivery of another brand new Airbus A321neo aircraft in July 2018, which completed the induction of the Neo fleet.
- SriLankan Airlines became the world's most punctual airline in the month of September 2018 in the key categories of 'Global Airlines' and 'Major Airlines', rated by the flight data analysis company Flightstats.com.
- SriLankan Airlines maintained the Airline Passenger Experiences Association (APEX) four star rating for the second consecutive year and also received several prestigious international awards. These include the World's Leading Airline to the Indian Ocean for the third consecutive year and three Golden City Gate Awards at ITB Berlin.

Corporate Information

Name of the Company

SriLankan Airlines Limited

Company Registration Number

PB 67

Legal Form

Limited Liability Company

Board of Directors

Mr. G. S. Withanage (Chairman)

Mr. Johann Wijesinghe

Senior Prof. Arjuna P. de Silva

Mr. S. G. Senarathna (Treasury Representative)

Mr. A. M. P. M. B. Atapattu (Treasury Representative)

Mr. Deshal De Mel

Mr. A. K. D. D. D. Arandara (Treasury Representative)

Board Audit Committee

Mr. S. G. Senarathna (Chairman) - Treasury Representative

Senior Prof. Arjuna P. de Silva

Mr. Deshal De Mel

Mr. A. M. P. M. B. Atapattu (Treasury Representative)

Mr. A. K. D. D. D. Arandara (Treasury Representative)

Board Human Resource and Remuneration Committee

Mr. A. M. P. M. B. Atapattu (Chairman) - Treasury Representative

Senior Prof. Arjuna P. de Silva

Mr. Deshal De Mel

Mr. A. K. D. D. D. Arandara - Treasury Representative

Company Secretary /

Head of Corporate Secretarial Services

Mrs. Dalrene Thirukumar (ACIS)

Bankers

Bank of Ceylon

People's Bank

Standard Chartered Bank

Citibank NA

Sampath Bank PLC

Nations Trust Bank PLC

Hatton National Bank PLC

Commercial Bank of Ceylon PLC

Amara Bank PLC

Auditors

Auditor General

National Audit Office

306/72

Polduwa Road

Battaramulla.

Registered Office

Airline Centre

Bandaranaike International Airport

Katunayake

Sri Lanka.

Corporate Website

www.srilankan.com

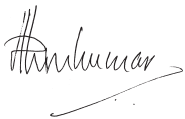
Notice of Meeting

NOTICE IS HEREBY GIVEN that the **Forty First Annual General Meeting** of the Shareholders of SriLankan Airlines Limited will be held on **Friday, 08th November 2019 at 10.00 a.m. at 'Mihilaka Medura' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7**, for the following purpose:

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the financial year ended 31st March 2019 together with the Report of the Auditors thereon.

The Auditor General shall audit the Organization in terms of Article 36 of the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board



Dalrene Thirukumar
Company Secretary

17th September 2019
Colombo

Notes:

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be deposited at the Registered Office, 'Airline Centre', Bandaranaike International Airport, Katunayake not later than 10.00 a.m. on 06th November 2019 being 48 hours before the time appointed for holding of the meeting.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.

Form of Proxy

SRILANKAN AIRLINES LIMITED

*I/We,of

being a Member / Members of SRILANKAN AIRLINES LIMITED hereby appoint:.....

..... of

..... or failing *him/her,

one of the following Directors;

- Mr. G. S. Withanage
- Mr. Johann Wijesinghe
- Senior Prof. Arjuna P. de Silva
- Mr. S. G. Senarathna
- Mr. Deshal De Mel
- Mr. A. M. P. M. B. Atapattu
- Mr. A. K. D. D. Arandara

as *my/our proxy to represent *me/us and vote for *my/our behalf at the Forty First Annual General Meeting of the Shareholders of SriLankan Airlines Limited to be held on Friday, **08th November 2019, at 10.00 a.m. at 'Mihilaka Madura' Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 7**, and at any adjournment thereof.

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the financial year ended 31st March 2019 together with the Report of the Auditors thereon.

For	Against

The Auditor General shall audit the Organization in terms of Article 36 of the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

Signed this day of..... Two Thousand and Nineteen.

.....
Signature/s

Note:

- (a) * Please delete the inappropriate word

If no words are deleted or there is in the view of the proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he/she thinks fit.

Instructions as to Completion:

1. Perfect the Form of Proxy after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature. Should be forward by 06th November 2019.
2. In the case of Resident/Non-Resident shareholders, the stamping will be attended to on return of the completed Form of Proxy to the Company.



Airline Centre, Bandaranaike International Airport, Katunayake, Sri Lanka.

www.srilankan.com